

Nepal Budget Highlights Tax Perspective 2081/82 (2024/25)

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1. BUDGET OVERVIEW AND KEY NOTES

A. Introduction

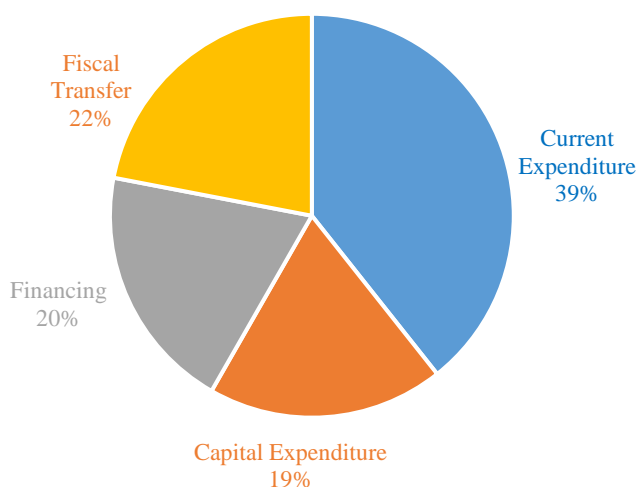
Honorable Finance Minister, Barsha Man Pun presented budget of the Government of Nepal for fiscal year 2081/82 (2024/25) on 15th Jestha 2081 (28th May 2024). The budget has been estimated at NPR 1,860 billion, an increase of 6.2% from the previous fiscal year.

B. Budget Summary: Source and Allocation

Allocation in Billion (NPR)

Head	2081/82
Current Expenditure	732
Capital Expenditure	352
Financing	367
Fiscal Transfer	409
Total	1,860

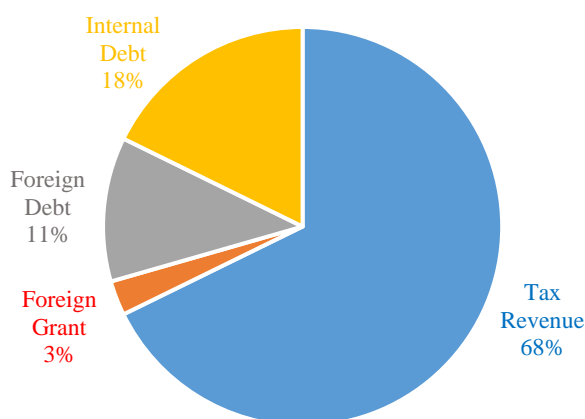
ALLOCATION OF THE BUDGET



Source in Billion (NPR)

Head	2081/82
Tax Revenue	1,260
Foreign Grant	52
Foreign Debt	218
Internal Debt	330
Total	1,860

SOURCE OF BUDGET



C. Budget Objectives

- ❑ Increase production, productivity and employment.
- ❑ Enhancing private sector morale, increasing investment and accelerating economic activity.
- ❑ Developing human resources.
- ❑ Reduce income inequality and poverty by deploying resources and resources in a balanced and equitable manner and,
- ❑ Making public service delivery effective.

D. Key Notes

a) Green Tax - Introduced

Green Tax shall be levied and collected at the customs point as per Schedule 1 of the Finance Bill on imported goods as summarized below: -

Description of goods	Green Tax
Pulverized or not pulverized but not agglomerated anthracite coal, bituminous coal, other coals.	Rs. 0.50 per kg
Coal Briquettes, Pellets and similar solid fuels.	Rs. 0.50 per kg
Whether or not agglomerated coke and semi-coke of coal, lignite or peat, retort carbon.	Rs. 0.50 per kg
Petroleum oils and oils derived from bituminous minerals* (Includes motor spirit (petrol), hexane (food grade), high speed diesel and others).	Rs. 1 per liter
Petroleum oils and oils derived from bituminous minerals* (Includes fuel oil, base oil, jute batching oil, spindle oil, transformer oil, mineral turpentine oil, rubber processing oil, liquid paraffin oil, and white oil.)	0.5%
Calcined or not-calcined petroleum coke, petroleum bitumen and petroleum oil or residuals of bituminous mineral oil	
Petroleum oils and oils derived from bituminous minerals* (Includes lubricating oil and waste oils; polychlorinated biphenyl, polychlorinated terphenyls, polychlorinated terphenyls and others)	1%

*Excluding crude oils



b) Digital service tax

Previously, tax under digital service tax was exempt to service providers transacting up to NPR 2 million which has been now increase to NPR 3 million by Finance Bill 2081. Above this threshold, Digital service tax shall be levied at the same rate of 2% on the transaction value of electronic services provided by non-residents to consumers in Nepal.



c) Road Construction tax

Road construction tax shall be levied on vehicles imported or produced in Nepal as per rate prescribed on schedule 2 of Finance Bill 2081 as summarized below:

Vehicle	Revised Rate (F.Y. 2081/82)	Existing Rate (F.Y. 2080/81)
Vehicles using fossil fuels:		
Having seat capacity more than 10	9%	7%
Having seat capacity less than equal to 10	10%	7%
Electric Vehicle:		
Having seat capacity more than 10	2.5%	No tax levied
Having seat capacity less than equal to 10	5%	No tax levied

2. VALUE ADDED TAX (VAT)

1. Provision for Registration of Non-Resident Person

Amendment has been made by Finance Bill 2081 in section (10) (Kha) (1) which requires registration of non-resident with a turnover exceeding **NPR 3 million** (previously NPR 2 million) in the last 12 months from business related to electronic services.

Similarly, non-resident providing “offline air transport services” exceeding above limit are also now required to get registered.



2. Limit for Registration under VAT

The threshold limit for registration under VAT for a person conducting the business of both goods and services or services only has been increased to NPR 3 million from NPR 2 million. *(Based on amendment in section 11 (1) (cha))*



3. Export and Import can be restrained

New subsection 3 under section 18 has been inserted where, if a taxpayer fails to submit the VAT return within four months from the due date as specified under this Section (i.e. within 25 days from the end of tax period), the Tax Officer may restrain the import or export of such taxpayer.



4. Key Changes to VAT Schedules

Schedule 1: Exempted Goods and Services

The following goods and services have been **removed** from schedule 1 i.e., exempted list
(Now VAT will be applicable):

Group 1: Basic Agricultural Products

- Mangosteen



Group 2: Basic Necessary Goods

Firewood, logs, split large pieces (billets), branches, tied bundles of wood or similar forms:

- Coniferous
- Non-coniferous



Wood in round form, including wood of shell or nut in round form whether or not agglomerated.

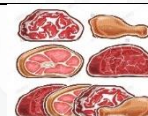
- Bamboo
- Shell or nut wood
- Other



Group 3: Live Animals & Animal Product

Fresh, chilled, or frozen meat of sheep or goat.

- Frozen carcasses and half-carcasses of lamb



Group 4: Agricultural Inputs

- Insecticides
- Fungicides
- Herbicides
- Rodenticidal products



- Hoes and shovels:
- Other (shovels)
-



Group 5: Medical Treatment & Similar Health Services

- Diagnostic kits
- Bandages

Photographic plates and film in the flat, sensitized, unexposed, of any material (except paper, paperboard, or textiles); instant print film in the flat, sensitized, unexposed, whether or not in packs.

- For X-rays



Group 9: Passenger carrying Services & Freight Services

- Public air transport



Group 11: Other Goods & Services

Other clothes for men or boys:

- Cotton Trousers and loincloths (Lungi and Dhoti)

Other clothes for women or girls:

- Cotton Sarees, and loincloths (Lungi and Dhoti)



Cultured pearls:

- Unworked
- Worked



Centrifuges, including centrifugal dryers; filtering or purifying machinery and apparatus for liquids or gases.

- For filtering or purifying water



The following goods and services have been **added** to the schedule 1 i.e., exemption list.

(Now exempt from VAT)

Group 1: Basic Agricultural Products

- Potatoes, fresh or chilled.
- Onions, Shallots
- Apples



Group 3: Live Animals and Animal Products

- Goat's meat (mutton)

Schedule 2: Goods & Services subject to Zero Rate

- Earlier, Vehicles (scooters) designed for use by persons with disabilities was chargeable to VAT and refund was provided from IRD. Now, it is subject to zero rate under schedule 2.



3. INCOME TAX

A. Exemptions and Concessions

- ❑ **Dividend earned from Information Technology (IT) industry:**
Where an IT industry capitalizes its accumulated profit into shares for increase in capacity of the same industry, applicable dividend tax on such capitalization shall be exempted.

IT industry refers to industries related to technology parks, IT parks, biotech parks, software development, data processing, digital mapping, business process outsourcing, data mining, and cloud computing. [Section 11(3Tha)]



Previously, only special industry and industry related to tourism sectors were subject to this exemption.

- ❑ **No more tax exemption to water and sanitation consumer organization:**
The income earned by water and sanitation consumer organizations registered pursuant to Water Resources Act, 2049 (1992) are now subject to Income tax as provided by Finance Bill, 2081.



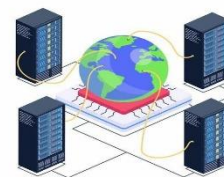
B. Special provision for billing through electronic medium

The Inland Revenue Department (IRD) can issue a notice requiring specified taxpayers to issue invoices through electronic mediums and integrate with the Central Billing Monitoring System (CBMS). The department shall also develop procedures for the security and reliability of the software or equipment used for electronic invoicing, which shall be followed by developers, distributors, and users.



C. Additional criterion for Permanent Establishment

Any location that is outside Nepal but has a significant digital presence in Nepal, or any location where data or service transactions have been conducted through a server outside Nepal for at least 90 days within the past twelve months shall also be considered as permanent establishment. [Section 2(ka da)]



D. Remuneration not allowed for deduction

Remuneration in excess of NPR 25,000 shall be paid through the bank, otherwise it shall not be allowed as deduction for the computation of the taxable income in any income year. [Section 21(1) (Nga1)]



E. Change in control

Previously, where the ownership of any entity changes by 50% or more as compared to its ownership until before the last 3 years, the entity shall be deemed to have disposed the property under its ownership or the liability borne by it.

Now, if there is change in control due to increase in share capital provided that the number of shares and capital of the existing shareholders or partners remains the same and only new shareholders or partners are added, then this shall not be considered as change in control as per section 57.



F. Funds from business transactions shall not be deposited into personal accounts

No person shall deposit any amount received from business transactions, whether in cash, by check, QR code, or any other electronic means, into a personal bank account. [Section 81Ka]

If non-compliance with this provision is found during inspection, there shall be fine of NPR 5,000 or 2% of total transaction amount whichever is higher.



G. Definition of Contribution-based retirement payment added

Contribution-based retirement payment is defined as an amount deducted monthly from an employee's or worker's salary, the employer's contribution deposited in the approved retirement fund, and any increment in that amount. [Section 2(Tr1)]



H. Tax assessment of assets from undisclosed sources

If a written report is submitted to IRD from Asset Laundering Investigation Department regarding the tax assessment of assets deemed to have gained by money laundering as per Money Laundering Prevention Act, 2064, the department shall investigate whether any tax-related offense has been committed.

Where, upon investigation no tax-related offense is found, income tax at the **highest applicable rate for that year** shall be collected from such a person. [Section 101Ka]

I. Revision on fees for not submitting income tax return

If a natural person covered under section 4(4) fails to submit their income tax return (D-01) as required, the fees of **NPR 1,200** per return shall be levied. However, for periods less than a year, the fees shall be **NPR 100** per month. [Section 117 (1) (Ga)]

Previously, it was NPR 100 per month per return. This amendment has reduced the fees to encourage filling of long due returns.

J. Changes in Tax Deduction at Source (TDS) and Advance Tax

❑ **TDS on interest payment to foreign BFIs**

TDS at the rate of 5% (**Previously 10%**) shall be deducted while making payment of the interest by the resident bank and financial institution for a foreign currency loan provided by a foreign bank or other financial institution. This foreign currency loan shall be for investment in the sectors as specified by Nepal Rastra Bank [Section 88(1)(9)]



❑ **TDS on prizes and awards**

Tax shall be withheld at the rate of **25%** on all windfall gains. However, for national and international awards up to NPR 500,000 for contributions to literature, art, culture, sports, journalism, science, technology, and public administration, tax is not required to be withheld. If the prize amount exceeds NPR. 500,000, **only the excess amount will be subject to withholding of tax.**



Previously, when the prize amount exceeded NPR 500,000, tax was required to be withheld on the entire prize amount. [Section 88Ka (2)]

❑ **Payment of tax in installment:**

Tax on income from the disposal of Non-Business Chargeable Assets (NBCA) shall not be considered while calculating advance tax for deposit of installment tax under section 95ka. Now the interest on non-payment of installment tax on such amount will not be levied. Previously, there was no such provision and interest were automatically calculated on disposal of NBCA.

Note: Please refer to “Tax and TDS rates” applicable for FY 2081/82 (2024/25) at the end of this document.

4. EXCISE DUTY ACT

A. Cancelling the registration of imported vehicle by diplomats

Excise Duty will not be levied while scrapping and canceling the registration of imported vehicles which cannot be reused, with the approval of the Ministry of Finance. This is applicable only to motor vehicle imported under the tariff facilities by a diplomatic mission, project, person, or other body (government or non-governmental organization) and whose initial manufacturing date has crossed **10 years** (previously 15 years).



This facility is now available in case such vehicles cannot be operated due to accidents or technical reasons while it is being used by diplomatic missions and diplomatic staff.

B. Changes in excise duty license requirements

Excise duty license is not required to be obtained to **import**, sell, or store a product subject to excise duty under a self-removal system. Previously “import” was not



included in this section, so the license was required to be obtained in case of such import.

If the Excise duty license is not renewed within Shrawan, 50% of the renewal fee shall be levied for the first 3 months, 100% for additional 3 months, **and 200% for the remaining period of that financial year.** [Section9(6Ka)]

C. Excise stickers for specified goods

Excise tickets shall be affixed on goods produced or imported in Nepal that are subject to excise duty as specified by the Department.

Also, the format of the excise sticker shall be as prescribed by the department. [section 10 Yna1]



D. Clarification on “Duplicate excise sticker”

Duplicate excise stickers are those stickers which are: -

- different or not in accordance with the Department approved safety indication mark, feature, or quality,
- issued for one industry or establishment but used by another industry or establishment,
- issued for the production of one category but used in the production of another category without the approval of the Department,
- already been used,
- torn, fragmented, or containing a false/ fake QR code.



E. Destroy of Excise duty stickers

A new provision has been added under Section 10Tha regarding the destruction of the Excise duty sticker as below:

- A specified committee can destroy the stickers that do not have the features prescribed by the department and remain unused in stock due to various reasons after the verification of the quantity. In case of the quantity of old stickers cannot be ascertained, the committee can destroy them by preparing a record of its present condition.
- Expired tobacco products, cigarettes, beer, wine, and other excisable non-consumable goods can be destroyed as prescribed.

F. Key changes in Excise Duty Schedule

1. Newly introduced key items

Code	Particulars	Rate Imposed (F.Y. 2081/82)
1203.00.00	Dried coconut flesh not suitable for human consumption	15%
1404.90.99	Vegetative products not mentioned else where	10%
1904.10.10	While measuring at defatted basis, products not covered by chocolate or consisting of less than 6% cocoa in it.	10%
1904.10.91	Corn flakes	10%
1904.20.00	Prepared foods obtained from unroasted cereal flakes or from mixtures of unroasted cereal flakes and roasted cereal flakes or swelled cereals	10%

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Code	Particulars	Rate Imposed (F.Y. 2081/82)
1904.30.00	Bulgur wheat (steamed and dried wheat)	10%
2208.70.20	Alcohol mixed beverages (Up to 5% alcohol level)	Rs. 240 per liter
3506.10.00	Glue and adhesives for retail purpose having net weight not more than 1 kilogram, products that can be used as glue and adhesives	5%

2. Changes in Excise rates as compared to existing rates for key items:

2a. Increase in Excise Duty Rates:

Particulars	Revised Rate (F.Y. 2081/82)	Existing Rate (F.Y. 2080/81)
Molasses	Rs. 110 per quintal	Rs. 105 per quintal
Fruit juices including orange juice, Pomelo Juice, Apple Juice, Pineapple juice, Tomato Juice, Grape Juice, Mango Juice, Cranberry Juice	13.5 per liter	13 per liter
Ice cream with or without cocoa	30%	20%
Beer without Alcohol	Rs 45 per liter	Rs 35 per liter
Energy Drinks	Rs.52 per liter	Rs 50 per liter
Beer made from Malt	Rs. 240 per liter	Rs. 235 per liter
Pan Masala without tobacco	Rs 875 per kilogram	Rs 850 per kilogram
Scented Areca Nut (Supari) without Tobacco	Rs. 375 per kg	Rs. 365 per kg
Grape wine:		
Containing alcohol up to 12%	Rs. 460 per liter	Rs. 444 per liter
Containing alcohol above 12% to 17%	Rs. 460 per liter	Rs. 444 per liter
Containing alcohol above 17%	Rs. 535 per liter	Rs. 516 per liter
Country Beer	Rs. 48 per liter	Rs. 43 per liter
Alcohol:		
Alcohol quantity up to 15 UP	Rs. 1860 per liter	Rs. 1800 per liter
Alcohol quantity up to 25 UP	Rs. 1390 per liter	Rs. 1345 per liter
Alcohol quantity up to 30 UP	Rs. 1290 per liter	Rs. 1250 per liter
Cigar. Cheroot and small Cigar with tobacco	Rs. 31 per stick	Rs. 30 per stick
Cigarette without filter	Rs. 755 per M	Rs. 730 per M
Cigarette with filter		
length up to 70 mm.	Rs. 1740 per M	Rs. 1690 per M
length more than 70 mm but less than 75 mm	Rs.2370 per M	Rs.2300 per M
length more than 75 mm but less than 85 mm	Rs. 3060 per M	Rs. 2970 per M
length more than 85 mm	Rs. 4200 per M	Rs. 4080 per M

2b. Decrease in Excise Duty rates:

Code	Particulars	Revised Rate (F.Y. 2081/82)	Existing Rate (F.Y. 2080/81)
0802.11.00	Almonds with shell	10%	15%
8536.50.00	Electrical apparatus for switching or protecting electrical circuits, or for making connections to or in electrical circuits for a voltage not exceeding 1,000 volts; connectors for optical fibers, optical fiber bundles or cables: other switches.	5%	15%

5. CUSTOMS ACT

A. Post-clearance audit

The post-clearance audit shall be conducted within 2 years from the date of import. Previously, the period for post-clearance audit was 4 years.



B. Public notice for clearance of goods

The period for the public notice to be issued by the Customs Office for taking the delivery of goods that have not been cleared within the specified time has been increased from **7 days to 15 days**.

C. Goods to be forfeited

If a decision is made to forfeit any goods pursuant to this Act, the following goods related with such goods shall also be forfeited: [Section 49(ka)]

(a) Parcels, packets or containers to pack or transport such **goods except the containers transported through Cargo Trains**.



Previously, such containers were not excluded and could have been forfeited.

D. Key changes in Customs Act Schedule

1. Newly introduced key items

Particulars	Rate Imposed	
	SAARC	Others
Alcohol mixed preparations containing up to 5% alcohol	2000/Ltr	2000/Ltr
Electric Cigarette (Vape)	40%	40%
Biodiesel and mixtures thereof, not containing or containing less than 70 % by weight of petroleum oils or oils obtained from bituminous minerals. Mixtures containing halogenated derivatives of methane, ethane or propane, not elsewhere specified or included: -R 404A	6%	10%
Articles Of Vulcanized Rubber Other Than Hard Rubber, Others.	6%	10%

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

2a. Increase in Customs Duty

Particulars	Revised Rate (F.Y. 2081/82)		Existing Rate (F.Y. 2080/81)	
	SAARC	Other	SAARC	Other
Gold, incl. gold plated with platinum, unwrought or not further worked than semi—manufactured or in powder form	20%	20%	15%	15%

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Particulars	Revised Rate (F.Y. 2081/82)		Existing Rate (F.Y. 2080/81)	
	SAARC	Other	SAARC	Other
Motor vehicles for the transport of >= 10 persons, incl. driver (unassembled and others)	15%	15%	10%	10%
Other 4 wheeled vehicles used for transportation of goods	15%	15%	10%	10%
Stroller	5%	30%	5%	5%
Tableware and kitchenware and other household articles and toilet articles, of porcelain or China	20%	20%	15%	15%
Ceramic tableware, kitchenware, other household articles and toilet articles, other than of porcelain or China	7.25%	20%	7.25%	15%
Articles for Christmas festivities and parts and accessories	5%	20%	5%	10%
Pocket lighters, gas fueled, refillable and non-refillable	7.25%	30%	7.25%	15%

2b. Decrease in Customs Duty rates:

Particulars	Revised Rate (F.Y. 2081/82)		Existing Rate (F.Y. 2080/81)	
	SAARC	Other	SAARC	Other
Rubber thread and cord, textile covered	5	5	7.25	15
Brooms and brushes, consisting of twigs or other vegetable materials bound together, with or without handles	7.25	15	10	10
Sanitary Towels (pads) And Tampons, Diapers and Diaper Liners for Babies and Similar Articles, Of Any Material —Tampons and Menstrual Cup	5	5	15	15


3. Custom duty rates removed in current year

Particulars	Rate Previously	
	SAARC	Others
Urine Bag	5	5

4. Custom duty rates in export

Code	Particulars	Revised Rate (F.Y. 2081/82)	Existing Rate (F.Y. 2080/81)
0713.40.90	Lentils	-	Per KG Rs 1
3902.10.00	Polypropylene	Per KG Rs 5	-
3902.20.00	Polyisobutylene	Per KG Rs 5	-
3902.30.00	Propylene copolymers	Per KG Rs 5	-
44.01— 44.07	All Provision from 44.01— 44.07 (WOOD AND ARTICLES OF WOOD; WOOD CHARCOAL)	50%	200%

5. Changes in customs and excise rates in Electric Vehicles (EV)

 Particulars	Custom Duty		Excise Duty		Net Increase in rate
	Revised Rate (F.Y. 2081/82)	Existing Rate (F.Y. 2080/81)	Revised Rate (F.Y. 2081/82)	Existing Rate (F.Y. 2080/81)	
Car, Jeep, Van with pickup power up to 50 KW	15%	10%	5%	0%	10%
Car, Jeep, Van with pickup power 50-100KW	20%	15%	15%	10%	10%
Car, Jeep, Van with pickup power 100-200KW	30%	20%	20%	20%	10%
Car, Jeep, Van with pickup power 200-300KW	60%	40%	35%	45%	10%
Car, Jeep, Van with pickup power Above 300KW	80%	60%	50%	60%	10%

6. MAJOR TAX AMNESTY PROVISIONS BY FINANCE ORDINANCE 2081

Applicable Acts	Tax amnesty provided	Conditions
Income Tax act, 2058	Waiver of tax, fines, and interest <i>[Section 22 of Finance bill]</i>	<ul style="list-style-type: none"> If a person earning taxable income but not registered in permanent account number (PAN), get registered and submits the income returns for the financial year 2078/79 and 2079/80 and deposit tax within 2081 Falgun end, fee and interest on such shall be waived. Where returns are submitted and tax is deposited as above, entire tax, fee and interest for previous income years shall be waived.
Income Tax act, 2058	Waiver of remaining interest and fines <i>[Section 23 of Finance bill]</i>	<ul style="list-style-type: none"> If a person registered in PAN having taxable income but not yet deposited tax and not yet submitted return, now deposits tax within Falgun 2081 along with 25% of applicable interest, then the fees, penalty and remaining interest will be waived off.
Value Added Tax act, 2052	Waiver of remaining interest, additional charges, penalty, fees. <i>[Section 24 of Finance bill]</i>	<ul style="list-style-type: none"> If a person registered in VAT but has not yet deposited VAT and not yet submitted VAT return, now deposits VAT and submits returns within Falgun 2081 along with 50% of applicable interest, then the fees, penalty and remaining interest will be waived off. This waiver is applicable only for the tax and return for the period on or before Ashad 2080.

**Nepal Budget Highlights – Tax Perspective
2081/82 (2024/25)**

Applicable Acts	Tax amnesty provided	Conditions
Value Added Tax act, 2052	Waiver of VAT, fines, additional charges and interest for international air transport service providers. <i>[Section 25 of Finance bill]</i>	<ul style="list-style-type: none"> International air transport service provider registered or not registered in VAT which has not collected VAT on sales from Jestha 15 to Ashoj 30 2080, exemption on all tax, fees, penalty, and interest. International air transport service provider not starting flight in Nepal (Offline Airlines) not registered in VAT which has not collected VAT on sales from Jestha 15 2080, if registers and deposits VAT up to Asar 2081 all fees, penalty, interest, exempt.
Value Added Tax act, 2052	Waiver of VAT, additional charges, interest and fine for carriage/transportation business. <i>[Section 26 of Finance bill]</i>	<ul style="list-style-type: none"> Carriage/transportation business registered or not registered in VAT providing VAT applicable freight services from Jestha 15 2076 to Jestha 15 2078 but have not deposited the VAT amount. If pays one percent of the transaction/turnover amount within Mangshir end 2081 exemption on all tax, fees, penalty, and interest. Also, if a tax assessment is made and the case is pending at various level of courts can withdraw the case and pay tax accordingly.
Value Added Tax act, 2052	Waiver of VAT, additional charges, interest and fine for apple, potato and onion. <i>[Section 27 of Finance bill]</i>	<ul style="list-style-type: none"> If a person dealing with transaction of potato, onion and apple which has not collected VAT on sales till Jestha 14 2081, exemption on all tax, fees, penalty, and interest. Also, if any tax assessment has been made by department on same, such tax, fees, penalty and interest shall also be exempt.
Value Added Tax act, 2052	Waiver of VAT, additional charges, interest and fine for credit information center <i>[Section 28 of Finance bill]</i>	<ul style="list-style-type: none"> Credit Information Center registered pursuant to relevant laws, if not registered in VAT, gets registered till Ashad end 2081 and deposits 50% of VAT to be collected till Ashoj 2081, exemption on remaining tax, fees, penalty, and interest. Also, if a tax assessment is made and the case is pending at various level of courts can withdraw the case and pay tax accordingly.
Customs act, 2064 Value Added Tax act, 2052	Import based on Bank Guarantee for hydropower projects <i>[Section 29 of Finance bill]</i>	<ul style="list-style-type: none"> In case of capacity increment and design change (approved) of hydropower projects, contractor and promoters of such projects can import construction machinery, machinery equipment for production, transmission and distribution of electricity and import duties and VAT in such import can be released against bank guarantee. Such bank guarantee can be released by payment of 1% of import duties. The remaining import duties and VAT will be waived off.

7. TAX RATES APPLICABLE FOR F.Y. 2081/82 (2024/25)

Amendments are highlighted in <i>Amber</i>			
Schedule 1	Particulars	Tax Rates/Amount FY 81-82	Tax Rates/Amount FY 80-81
FOR NATURAL PERSON			
	FOR NATURAL PERSON		
(1)(1)	<u>Resident natural person:</u>		
	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%	36%
	balance above 50 lakhs	39%	39%
	1% tax shall not be imposed on natural person contributing to pension fund and contribution based Social Security Fund.		
(1)(2)	<u>Resident natural person (elected as couple):</u>		
	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%
	next 3,000,000	36%	36%
	balance above 50 lakhs	39%	39%
	1% tax shall not be imposed on natural person contributing to pension fund and contribution based Social Security Fund.		
(1)(3)	<u>Applicability of Section 1(4) of Schedule 1.</u>		
	a) Having taxable income of more than 500,000 in case of Resident Natural Person and more than Rs 600,000 in case of Resident Couple (opted u/s 50)		
	b) Net gains made through the disposal of NBCA (Non-Business Chargeable Assets) are included in the calculation of the income and taxable income of the Natural Person or Couple.		
	<u>Gain on disposal of NBCA</u>		
	Step 1: slab rate on higher of (taxable income - gain on NBCA) or (500,000 or 600,000)		
	Step 2: flat rate on (Taxable income - Higher of step 1)		
(1)(4)	<u>Flat rates</u>		
	Land and building owned less than 5 yrs.	No change	7.50%
	Land and building owned more than or equal to 5 yrs.	No change	5%
	Gain on disposal of listed shares holding less than or equal to 365 days	No change	7.50%

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Amendments are highlighted in <i>Amber</i>			
Schedule 1	Particulars	Tax Rates/Amount FY 81-82	Tax Rates/Amount FY 80-81
	Gain on disposal of listed shares holding more than 365 days	No change	5%
	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%.	No change	5%
(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)	<u>Tax for businesses u/s 4(4)</u>		
	Metropolitan and Sub-Metropolitan City	No change	Rs 7,500
	Municipality area	No change	Rs 4,000
	Others	No change	Rs 2,500
	<u>Provision of Section 4(4)</u>		
	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)	<u>Nonresident natural person</u>		
	(If withholding tax u/s 88, 88Ka, 89 are not applicable)	No change	25%
(1)(9A)	<u>Pension Income</u>		
	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.		
(1)(10)	<u>Disability Allowance</u>		

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Amendments are highlighted in <i>Amber</i>			
Schedule 1	Particulars	Tax Rates/Amount FY 81-82	Tax Rates/Amount FY 80-81
	Maximum deduction allowed as disability allowance is:	No change	50% of basic exemption limit (5L or 6L)
(1)(11)	Female Tax Rebate 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	10% on Tax Amount
(1)(12)	Investment Insurance Resident Natural Person doing Investment Insurance can deduct the following amount from his/her taxable income for the purpose of tax calculation	No change	Rs. 40,000 or Actual premium, whichever is lower.
Presumptive tax to owners of vehicles on hire:			
(1)(13)	1) Car, jeep, van, micro bus		
	Ka) up to 1300 C.C	No Change	Rs 5,500
	Kha) 1301 to 2000 C.C	No Change	Rs 6,000
	Ga) 2001 to 2900 C.C	No Change	Rs 6,500
	Gha) 2901 to 4000 C.C	No Change	Rs 8,000
	Nga) 4001 and above C.C	No Change	Rs 9,000
	2) Mini truck, minibus, water tanker	No Change	Rs 8,000
	3) Mini tipper	No Change	Rs 9,000
	4) Truck, Bus	No Change	Rs 10,500
	5) Dozer, Excavator, Loader, Roller, Crane, similar machinery equipment	No Change	Rs 15,500
	6) Oil Tanker, Gas Bullet, Tipper	No Change	Rs 15,500
	7) Tractor	No Change	Rs 2,500
	8) Power Tiller	No Change	Rs 2,000
	9) Auto Rickshaw, Three-wheeler, Tempo	No Change	Rs 2,500
	Note: Collected at the time of registration or renewal of vehicles through Office of Transport Management.		
Presumptive tax on Electronic Vehicle			
	(a) Up to 50 kW	No Change	Rs 3,000
	(b) 50 kW to 125 kW	No Change	Rs 4,000
	(c) 125 kW to 200 kW	No Change	Rs 6,000
	(d) All above 200 KW	No Change	Rs 7,500
(1)(16)	Health Insurance Resident Natural Person doing Health Insurance can deduct the following amount from his/her taxable income for the purpose of tax calculation	No change	Rs 20,000 or Actual Premium whichever is lower
(1)(16A)	Building Insurance Premium	No change	Rs 5,000 or

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Amendments are highlighted in <i>Amber</i>			
Schedule 1	Particulars	Tax Rates/Amount FY 81-82	Tax Rates/Amount FY 80-81
	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		Actual Premium whichever is lower
(1)(17)	Transaction based tax to business u/s 4(4ka)		
	Turnover (for FY 2081/82) above Rs 30 lakhs up to Rs 1 Crore		
	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%
	Provision of Section 4(4Ka)		
	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 up to Rs 1 crore and profit not more than 10 lakhs		
	d) Income does not include income from consultancy and expert services		
FOR ENTITY			
(2)(1)	Normal Rate	No change	25%
(2)(2)	Increased Rate		
	Bank and Financial Institutions		
	General Insurance		
	Telecommunication and Internet Service provider		
	Money Transfer		
	Capital Market Business		
	Securities Business	No change	30%
	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		
	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%
	Cooperative registered as per Cooperatives Act 2074 engaged in transactions of Saving & Credit:		

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<i>Amendments are highlighted in Amber</i>			
Schedule 1	Particulars	Tax Rates/Amount FY 81-82	Tax Rates/Amount FY 80-81
	In Municipality area	No change	10%
	In Sub Metropolitan cities area	No change	15%
	In Metropolitan cities area	No change	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. 2081/82 (2024/25)

Amendments are highlighted in <i>Amber</i>			
Section	Particulars	TDS rate	TDS rate
		FY 81-82	FY 80-81
Section 87: TDS on Income from Employment			
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		
Section 88: TDS on Payments of Investment Returns or Service Fees			
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)		No change	5%

**Nepal Budget Highlights – Tax Perspective
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<i>Amendments are highlighted in Amber</i>			
Section	Particulars	TDS rate	TDS rate
		FY 81-82	FY 80-81
92(1)(Chha)	Payment made by GON or ARF after deducting higher of 5,00,000 or 50%	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%
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%	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.	5.00%	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%

**Nepal Budget Highlights – Tax Perspective
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<i>Amendments are highlighted in Amber</i>			
Section	Particulars	TDS rate	TDS rate
		FY 81-82	FY 80-81
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) 92(1)(Ka)	Dividend	No change	5%
88(2)(Kha) 92(1)(Ga)	Gain on investment insurance	No change	5%
88(2)(Ga) 92(1)(Gha)	Gain from payment from resident Unapproved Retirement Fund.	No change	5%
88(3)	Interest from BFI, entity issuing debenture, cooperatives, or listed company to:		
92(1)(Nga)	natural person other than in conducting business	No change	6%
	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
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	Not applicable	Not applicable
Section 88Ka: TDS on Windfall Gains			
88Ka(1) 92(1)(Jha)	Windfall gain	No change	25%
88Ka(2) 92(1)(Jha)	National and international prize up to NPR 500,000 for contribution in literature, arts, culture, sports, journalism, science, technology. However, if the prize amount exceeds five lakh rupees,	No change	No TDS (if notified by government through publishing in Nepal gazette)

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<i>Amendments are highlighted in Amber</i>			
Section	Particulars	TDS rate	TDS rate
		FY 81-82	FY 80-81
	only the excess amount will be subject to windfall gain tax.		
Section 89: TDS on Payment of Contracts and Agreements			
89(1)	Contract for 50,000 or more	No change	1.50%
89(3)(Ka)	Payment to Non-resident person for any agreement or contract- including the purchase of arms and ammunitions, weapons, and communication equipment for self-use by Nepal Army, Nepal Police and Armed Police Force.	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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