



# **HIGHLIGHTS**

# **TAX PERSPECTIVE**

# **2082/83**

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## **Table of Contents**

<b>1.</b>	<b>BUDGET OVERVIEW AND KEY NOTES .....</b>	<b>1</b>
<b>2.</b>	<b>INCOME TAX .....</b>	<b>4</b>
<b>3.</b>	<b>VALUE ADDED TAX (VAT).....</b>	<b>5</b>
<b>4.</b>	<b>EXCISE DUTY ACT.....</b>	<b>7</b>
<b>5.</b>	<b>CUSTOM DUTY .....</b>	<b>9</b>
<b>6.</b>	<b>MAJOR TAX AMNESTY PROVISIONS BY FINANCE BILL 2082 .....</b>	<b>10</b>
<b>7.</b>	<b>TAX RATES APPLICABLE FOR F.Y. 2082/83 (2025/26) .....</b>	<b>12</b>
<b>8.</b>	<b>TDS RATES APPLICABLE FOR F.Y. 2082/83 (2025/26) .....</b>	<b>17</b>

## 1. BUDGET OVERVIEW AND KEY NOTES

### A. Introduction

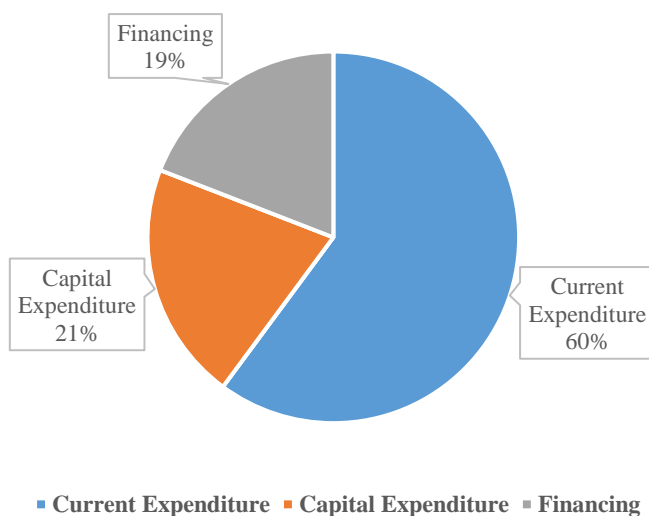
Honorable Finance Minister, Bishnu Prasad Poudel presented budget of the Government of Nepal for fiscal year 2082/83 (2025/26) on 15<sup>th</sup> Jestha 2082 (29<sup>th</sup> May 2025). The budget has been estimated at Rs. 1,964.11 billion, an increase of 5.6% from the previous fiscal year.

### B. Budget Summary: Source and Allocation

#### Allocation in Billion (Rs.)

Head	2082/83
Current Expenditure	1,180.98
Capital Expenditure	407.89
Financing	375.24
<b>Total</b>	<b>1,964.11</b>

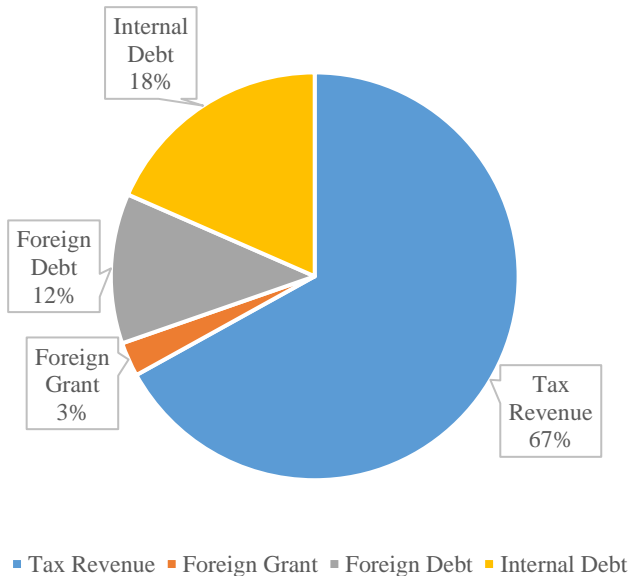
#### ALLOCATION OF THE BUDGET



#### Source in Billion (Rs.)

Head	2082/83
Tax Revenue	1,315.00
Foreign Grant	53.45
Foreign Debt	233.66
Internal Debt	362.00
<b>Total</b>	<b>1,964.11</b>

#### SOURCE OF THE BUDGET



### C. Budget Objectives

- To eradicate poverty by achieving high, sustainable and broad economic growth.
- To create employment by promoting entrepreneurship and expanding public and private investment.
- To enhance economic capacity by increasing the use of modern technology.
- To maintain social justice through social protection and development.
- To promote quality public services and good governance.

### D. Key Notes

#### a) Presumptive and turnover-based taxpayers now can file D03 return

Taxpayers who qualify as a presumptive taxpayer under section 4(4), or a turnover-based taxpayer under section (4) (4ka), now have an option to file D03 tax return. So, if they are loss-making and select this option, they may not need to pay any tax and carry forward the loss to the next year.



Previously, these taxpayers shall submit D01 or D02 return and pay fixed amount of tax.

#### b) Approved Retirement Fund

The term 'Approved Retirement Fund' now refers to the retirement fund established under the Employee Provident Fund Act, 2019, the Citizens Investment Fund Act, 2047, the Contribution-Based Social Security Fund Act, 2074, and the Retirement Fund Act, 2075.

##### Transfer to approved retirement funds

All currently approved retirement funds under the Income Tax Act, 2058 must mandatorily be transferred to one of the newly defined approved retirement funds by the end of Ashad 2083.

If the contributor transfer both the retirement contributions made by the contributor and accumulated lump sum amount from the existing retirement fund to one of the above-mentioned approved retirement funds within the specified deadline, such transferred amount shall not be subjected to withholding tax under the provision of the Income Tax Act, 2058.



#### c) Digital Service Tax

Digital service tax shall be levied at the rate of 2% (no change in rate from last year) on the transaction value of electronic services provided by non-resident person to users in Nepal and also on transaction value derived from sale of data collected from Nepalese users by non-resident person.



In addition to the previously exempted transactions, the sales made through digital interface for business purpose with business users in Nepal is also exempted.

Non-resident person shall submit details of transactions and deposit digital service tax within 3 months from the end of fiscal year through online portal as determined by the Inland Revenue Department of Nepal.



**d) Luxury Fee**

Luxury fee shall be levied at the rate of 2% (no change in rate from last year) on following luxury goods and services consumed in Nepal:

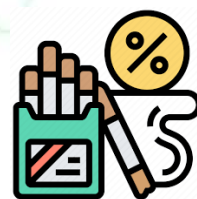
- i. On sale price of services provided by 5 star and above star hotels and luxury resorts (to be levied by the service providers at the time of providing service),
- ii. On custom duty and excise price of imported liquor (to be levied at the customs point at the time of import),
- iii. On sale price of gold and gold ornaments (to be levied by the seller at the time of sale of jewelry). *[Addition by Finance Bill 2082]*



**e) Health Risk Tax**

Health risk tax shall be levied and collected on the following imported and domestically produced goods as follows:

- i. Bidi: Rs. 0.30 per piece
- ii. Cigarettes and cigars: Rs. 0.60 per piece



*The following are added by Finance Bill 2082*

- iii. Heated tobacco for inhalation without combustion: 10% of value determined for customs duty purposes
- iv. E-cigarettes/vapes (with or without nicotine): Rs. 30 per piece
- v. Other product with or without nicotine for smoking, chewing, surti, khaini, gutkha, pan masala, scented betel nut, mouth fresheners, and hookah flavors): Rs. 60 per kilogram.

- Tax shall be collected at the customs point for imports and at the time of clearance from the manufacturing premises for domestic production.
- A person liable to deposit the health risk tax shall submit the monthly tax return by including it in the excise duty return, and file it by the 25th of the following month.
- In case of tax evasion, the excise officer may decide the health risk tax.
- Late filing or under-filing of tax shall incur a late fee of 0.05% per day on the outstanding amount.
- Non-filing of tax shall incur the penalty of 100% of the due tax.

**f) Removal of VAT for clearing house services**

The Value Added Tax levied to clearing house services has now been waived.



## 2. INCOME TAX ACT, 2058

### A. Business Concessions

- The income tax exemption available to special industries operating throughout the year under section (11) (2kha) has now been extended to hotels, resorts, and information technology industry. Accordingly, hotels, resorts, and information technology industries can now avail the following tax exemptions:
  - (ka) 1/3 of tax on income of resident natural person if required to pay tax at 30%
  - (kha) 20% of income tax on income of an entity.
- Hotels and resorts have also included under section 11(3) for levying tax alongside earlier provision applicable only to special industries and information technology industries.
- The exemption on income derived from industry related with software development, data processing, cybercafé, digital mapping - established in information technology park, zoological park, geological park, biotech park and information technology park designated by the Government of Nepal through a notice published in Nepal Gazette under section 11(3 ga) has been increased from 50% to 75%.
- The annual transaction limit for the 100% exemption from income tax for the initial five years provided to startup business, as prescribed by department under section 11(3na), has been increased from Rs. 1 crore to Rs. 10 crores.
- Section (11) (3ya) has been added to grant a full exemption from income tax for the initial five years for industries engaged in the production of green hydrogen from the date it commences operations.
- New section (11) (3ra) has been added to grant a full exemption from income tax for the initial first five years for industries engaged in the manufacturing or assembly of electric vehicles charging machine from the date it commences operations.
- New section (11) (3la) has been added to grant full exemption from income tax for initial 10 years, and 50% exemption for following 5 years, to any person who operates by constructing or establishing an Industrial Area or Industrial Village (Gram).



### B. Contribution-based Retirement Payment

The definition of contribution-based retirement payment under section (2) (tra1) has been revised to "the payment of the amount included in the income of a natural person and deposited in the approved retirement fund, including the amount increased on that amount."



### C. Removal of criterion for Permanent Establishment

The provision related to Permanent Establishment which was introduced last year has now been removed.

~~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) (5)]~~



### D. Submission of Income Return not required to include retirement payments

Amendments have been made to the proviso of section (97) (3), stating that in addition to meeting allowance and interest income, **retirement payments** are also not mandatory to be included in the income, while submitting tax return by a natural person having income more than Rs. 40 lakhs.

### E. Fees to be charged (for D04 return)

Section (117) (1) (gha) has been added for levying fees for not submitting the income tax return by a natural person having income more than Rs. 40 lakhs for any income year. The fees will be higher of the following:

- a) 0.1% per year on the amount calculated by deducting the final withholding income from the assessable income, or
- b) Rs. 1,200 per year, and Rs. 100 per month if the period is less than a year.

### F. Provision of accelerated depreciation for co-operatives revoked

The provision of accelerated depreciation of 1/3 to applicable depreciation rate to Co-operatives has been revoked.



## 3. VALUE ADDED TAX (VAT) ACT, 2052

### A. Refund of Excess Amount deposited under Administrative Review

In cases where court has revised tax assessment and the amount deposited for administrative review has exceeded the assessed tax by the court, such excess amount shall be refunded upon request of the taxpayer. [Addition of Section (25) (1ga)]



### B. Addition of Penalty

Penalty of Rs. 10,000 will be charged for each time, if the transaction is carried out without registration of a warehouse or branch under section (29) (yna 1).



### C. Key Changes in VAT Schedules

**The following goods and services have been removed from Schedule 1 (VAT is now applicable):**

1. Diesel exhaust fluid fertilizer
2. Ayurvedic preparations Ashokarishta, Dashmularishta, Sundarikalpa
3. Rough or unmounted worked diamonds, precious and semi-precious stones (such as rubies, sapphires, and emeralds) and their dust or powder.



**The following goods and services have been added to Schedule 1 (VAT is now exempted):**

1. Fresh, chilled, or frozen meat (including edible premium meat) of poultry
2. Churpi (traditional hard cheese)
3. Orthopedic equipment hearing aids excluding parts and accessories
4. Selected items of Vitamins
5. Rudrakshya Dana
6. Machinery used production of organic and natural manure
7. Clearing house service
8. Few sub-categories of solar devices & equipment
9. Equipment, tools and construction materials required for the development of industrial area/village qualify for VAT exemption with an Investment Board recommendation and a detailed engineering design
10. Import of material required for the production or assembly of electric vehicle (EV) charging machinery, as per the recommendation of the Ministry of Industry
11. Import of mills and machinery used in wood and wooden product processing industries, as recommended by the Ministry of Industry
12. Import of machinery, equipment, tools, and devices required for the construction of infrastructure for football, cricket, and multipurpose stadiums, based on the recommendation of the Ministry of Youth and Sports
13. Import of machinery, equipment, tools, and devices necessary for the production of green hydrogen, based on the recommendation of the Ministry of Energy, Water Resources, and Irrigation



**The following items have been added to Schedule 2 (Zero-Rated Items):**

1. Supply of machinery, equipment, parts, and tools by local industry, upon the recommendation of the Department of Industry, if used in the production of organic and natural manure
2. Supply of machinery, equipment, parts, and tools by local industry, on the recommendation of the Investment Board, if used for the establishment of an industrial area or industrial village
3. Establishment and promotion of industrial zones and industrial villages under the recommendation of the Investment Board Nepal



#### 4. EXCISE DUTY ACT

##### A. License Required by Person having Diplomatic Privilege

Excise duty license shall be required to import excisable goods even under diplomatic privilege on the recommendation of the Ministry of Foreign Affairs, Government of Nepal, for the import, export or sale of tobacco products under the self-removal system. [Section (9) (1)]

##### B. Fines and Penalties for Late Renewal of Licenses

A licensee who fails to renew the license within the month of Shrawan, shall renew the license by paying:-

- i) a fine of 50% of the renewal fees if renewed within the first 3 months;
- ii) a fine of 100% of the renewal fees if renewed within the next 3 months thereafter; and

*Added by Finance Bill 2082*

- iii) a fine of 200% of the renewal fees for the remaining period of that fiscal year and for each period. [Section (9) (6ka)]



##### C. Exemption of Excise Duty as per Schedule

- On the import of construction equipment, machinery, tools, high-capacity batteries, related parts, and steel sheets required for manufacturing such equipment, for electricity generation, distribution, and transmission projects based on water, solar, or wind energy, when imported by a project, its contractor, or promoter - provided the project is approved as per need by the Investment Board, as per need by the Alternative Energy Promotion Centre, or recommended by the Department of Electricity Development (including projects operated by the Nepal Electricity Authority).
- On the import of equipment, machinery, tools, spare parts, and construction materials required for the construction or establishment of an industrial zone or industrial village, provided the import is made by the person or contractor involved in such construction based on a recommendation from the Investment Board. However, the recommendation must be made on the quantity specified in the detailed engineering design report of the industrial zone or village.
- On imports made by industries that produce or assemble electric vehicle charging machines, provided the import is made based on a recommendation from the Department of Industry.
- On the import of machines, machinery, and equipment required for green hydrogen production, provided the import is made based on a recommendation from the Ministry of Energy and Water Resources.



**D. Key Changes in Excise Duty Schedule**

**1. Revised Rates of Alcohol**

Code	Description of Goods	Revised Rate (F.Y. 2082/83)		Existing Rate (F.Y. 2081/82)
		Rs. per Ltr	Rs. per LP Ltr	Rs. per Ltr
2208.20.91	Alcohol quantity upto 15 UP	1,860	2,188	1,860
2208.20.92	Up to 25 UP	1,390	1,853	1,390
2208.20.94	Up to 30 UP	1,290	1,843	1,290
2208.20.99	Others	1,860	2,188	1,860

**2. Revised Rates of Cigarettes**

Code	Description of Goods	Revised Rate (F.Y. 2082/83)	Existing Rate (F.Y. 2081/82)
2402.20.10	Without filter	778/m	755/m
2402.20.21	With filter: ≤ 70 mm length	1,792/m	1,740/m
2402.20.22	Length > 70 mm and ≤ 75 mm	2,441/m	2,370/m
2402.20.23	Length > 75 mm ≤ 85 mm	3,213/m	3,060/m
2402.20.24	Length > 85 mm	4,410/m	4,200/m

**3. Others**

Code	Description of Goods	Revised Rate (F.Y. 2082/83)	Existing Rate (F.Y. 2081/82)
8507.80.10	Power Bank per piece	15%	10%
6813.20.10	Brake lining and Clutch Pads (with asbestos) per piece	10%	5%
6813.81.00	Brake lining and Clutch Pads (without asbestos) per piece	10%	5%
6811.40.00	Asbestos-cement per kg	10%	5%
6810.11.10	Bricks and Block per piece	10%	5%
6808.00.10	Boards made by mixing wood dust, cement, and various binding chemicals per kg	10%	5%

## 5. CUSTOM DUTY

### A. Provision for unusable goods without Customs Clearance

If an importer submits an application to leave goods to the Government of Nepal without paying customs duty and such goods cannot be used or auctioned, the customs officer may order or cause the importer to either take back the goods or destroy them at his/ her own expense. (Section (19) (2) of Customs Tariff Act, 2081).

### B. Interest on Delayed Customs Duty Payments

Individual declaring goods is required to pay the applicable customs duty within seven days from the date of declaration. If the duty is not paid within this period, interest will be charged at a rate of 0.042% per day on the outstanding amount until it is fully paid.

Previously, interest could be levied for a maximum of 30 days. However, this limitation has now been removed, and hence, interest will continue to accrue until the full payment is made. (Section (20)(2) of Customs Tariff Act, 2081).



### C. Key Changes in Customs Schedule

#### 1. Revised Rates of Cigarettes and Tobacco Containing Product

Code	Description of the Goods	Revised Rate (F.Y. 2082/83)	Existing Rate (F.Y. 2081/82)
2402.10.00	Cigarettes with tobacco (including cigarillo) per 1000 pieces	11,000	9,000
2402.20.10	Filter less cigarette per 1000 pieces	5,500	4,500
2402.20.21	With filter: ≤ 70 mm length per 1000 pieces	5,500	4,500
2402.20.22	Length > 70 mm and ≤ 75 mm per 1000 pieces	5,500	4,500
2402.20.23	Length > 75 mm ≤ 85 mm per 1000 pieces	5,500	4,500
2402.20.24	Length > 85 mm per 1000 pieces	5,500	4,500
2402.90.10	Prepared bidi per 1000 pieces	5,500	4,500
2402.90.20	All types of cigars per 1000 pieces	11,000	9,000
2402.90.90	Others per 1000 pieces	11,000	9,000
2106.90.60	Scented areca nuts without tobacco	40/kg	25/kg

#### 2. Revised Rates of Electronic Cigarettes and Vapes

Code	Description of the Goods	Revised Rate (F.Y. 2082/83)		Existing Rate (F.Y. 2081/82)	
		SAARC	Others	SAARC	Others
8543.40.00	Electronic cigarettes and similar personal electronic devices (vape) used for vaporizing per piece	5%	20%	5%	5%
8543.90.10	Parts of electronic equipment (vapes) used for vaporizing per piece	5%	10%	0%	0%



### 3. Revised Rates of Sugar Items

Code	Description of the Goods	Revised Rate (F.Y. 2082/83)		Existing Rate (F.Y. 2081/82)	
		SAARC	Other	SAARC	Other
Raw sugar that does not contain added coloring or flavoring substances (per kg)					
1701.12.00	Beet sugar	6%	15%	6%	30%
1701.13.10	Sakhhar (including gud and bheli), gudgatha	15%	15%	30%	30%
1701.13.20	Khandasari sugar	15%	15%	30%	30%
1701.13.90	Others	15%	15%	30%	30%
Other types of sugar derived from sugarcane (per kg)					
1701.14.10	Sakhhar (including gud and bheli), gudgatha	15%	15%	30%	30%
1701.14.20	Khandasari sugar	15%	15%	30%	30%
1701.14.90	Others	15%	15%	30%	30%
Others (per kg)					
1701.99.10	Sugar candy	15%	15%	30%	30%
1701.99.90	Others	15%	15%	30%	30%

### 6. MAJOR TAX AMNESTY PROVISIONS BY FINANCE BILL 2082

Applicable Acts	Tax Amnesty Provided	Conditions
Income Tax Act, 2058	Special Provision regarding Deduction of Transport Rental Expense  <i>[Section 22 of Finance Bill]</i>	If a transport service provider, for business purposes during fiscal years 2078/79, 2079/80, and 2080/81, rented a vehicle from a natural person without a PAN, and advance tax was deducted at source in accordance with section (88) (1)(ga) of the Income Tax Act, 2058, the rental payment shall still be allowed as a deductible expense when calculating taxable income for the respective year, even in the absence of a PAN invoice.
Income Tax Act, 2058	Exemption to taxpayers who have been assessed for non-submission of income tax return  <i>[Section 28 of Finance Bill]</i>	If a person has been assessed for tax under section 101 of the Income Tax Act, 2058, without filing a return, they can still submit the return and pay the tax by the end of Poush, 2082, regardless of whether they've already done so or not. The tax office may reassess such returns by inspecting them until the end of Ashad, 2083, and revise the tax liability, with usual time limits under the VAT Act and Income Tax Act not applying. Any previous tax assessments, except for such reassessments, will not be enforced.
Income Tax Act, 2058	Special Provision regarding Waiver of Interest and Fee on Income Tax  <i>[Section 30 of Finance Bill]</i>	If tax reassessment was done under section 57(1) of the Income Tax Act due to changes in ownership from a Nepali resident entity to another Nepali resident entity, then paying the assessed tax by Ashad end 2082 will result in waiver of applicable interest and fees.

**Nepal Budget Highlights – Tax Perspective  
2082/83 (2025/26)**

Applicable Acts	Tax Amnesty Provided	Conditions
Income Tax Act, 2058	Special Provision regarding Waiver of Income Tax of Public and Private Vehicles  <i>[Section 31 of Finance Bill]</i>	For the purpose of de-registration of public or private vehicles that are older than 20 years or no longer in use, if income tax for the income year 2081/82 and 2082/83 is paid within Poush end of 2082 then interests and fees before 2081/82 will be waived.
Income Tax Act, 2058 & Value Added Tax Act, 2052	Waiver of Fines, Additional Fees, Charges, and Interest for Social Organizations  <i>[Section 24 of Finance Bill]</i>	According to the Association Registration Act, 2034, if any community hospital, health institutions, or transport-related association or organization was registered and had outstanding taxes on assessments and reassessments (as per the VAT Act, 2052; Income Tax Act, 2058; or annual Financial Act) prior to Jestha 15, 2082, those organizations will be exempt from paying any interest, fees, additional charges, or penalties - provided they pay the due tax amount by the end of Poush 2082.
Value Added Tax Act, 2052	Import based on Bank Guarantee for hydropower projects  <i>[Section 21 of Finance Bill]</i>	For hydropower projects with approved capacity increases or design changes, contractors and promoters can import necessary machinery, tools, spare parts, explosives, penstock pipes, and steel plates with import duties and VAT covered by a bank guarantee, based on a recommendation from the Department of Electricity Development (DOED). After approval, an application along with the DOED recommendation must be submitted to the customs office for release of the bank guarantee. Upon payment of 1% of the import duties, the remaining duties and VAT will be waived.
Value Added Tax Act, 2052	Waiver of remaining interest, additional charges, penalty, fees  <i>[Section 25 of Finance Bill]</i>	<ul style="list-style-type: none"> <li>▪ If a person registered in VAT but has not yet deposited VAT and not submitted VAT return, now deposits VAT and submits returns within Poush end 2082 along with 25% of applicable interest, then the fees, penalty and remaining interest will be waived off.</li> <li>▪ This waiver is applicable only for the tax and return for the period on or before Chaitra 2081.</li> </ul>
Value Added Tax Act, 2052	Waiver of VAT, fines, additional charges and interest for international air transport service providers  <i>[Section 27 of Finance Bill]</i>	<p><b>International Air Transport Service Providers:</b> Suppose an international air transport service provider registers under the Value Added Tax (VAT) Act. In that case, 2052 and deposits VAT collected (or to be collected) from Kartik 1, 2080 by the end of Ashoj 2082, all related fines, penalties, interest, and additional charges will be waived.</p> <p><b>Businesses Dealing in International Airline Tickets:</b> Any person or business—registered or not—engaged in buying and selling international airline tickets who deposits VAT from Kartik 1, 2080 by Ashoj 2082 will also get a full waiver of fines, penalties, interest, and</p>

**Nepal Budget Highlights – Tax Perspective  
2082/83 (2025/26)**

Applicable Acts	Tax Amnesty Provided	Conditions
		additional charges. Moreover, all VAT-related dues, interest, penalties, and fees before Kartik 1, 2080 will be waived.
Excise Duty Act, 2058	Waiver of Penalties and Other Charges <i>[Section 26 of Finance Bill]</i>	<p>If a license holder responsible for determining and collecting excise duty submits all details and pays the excise duty due up to the end of Chaitra 2081, along with 50% of the delay fee, by the end of Poush 2082, the remaining fees and delay penalties will be waived.</p> <p>Even if the excise return has already been filed up to Chaitra 2081 but the duty remains unpaid, paying the due excise duty and 50% of the applicable delay fee by the end of Poush 2082 will result in a waiver of the remaining fees and penalties under the Excise Duty Act, 2058.</p>

**7. TAX RATES APPLICABLE FOR F.Y. 2082/83 (2025/26)**

**Note: No change in the applicable tax rates.**

Amendments are highlighted in <i>Amber</i>			
Schedule 1	Particulars	Tax Rates/Amount FY 82-83	Tax Rates/Amount FY 81-82
<b>FOR NATURAL PERSON</b>			
	<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%	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)	<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%
	next 3,000,000	36%	36%



**Nepal Budget Highlights – Tax Perspective**  
**2082/83 (2025/26)**

Amendments are highlighted in <i>Amber</i>			
Schedule 1	Particulars	Tax Rates/Amount FY 82-83	Tax Rates/Amount FY 81-82
	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)	<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.		
(1)(4)	<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>		
	Land and building owned less than 5 years	7.50%	7.50%
	Land and building owned more than or equal to 5 yrs.	5%	5%
	Gain on disposal of listed shares holding less than or equal to 365 days	7.50%	7.50%
	Gain on disposal of listed shares holding more than 365 days	5%	5%
	Others	10%	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%	5%
(1)(5)	Remote Allowance	Maximum deduction of Rs. 50,000 as per grade A, B, C, D and E	Maximum deduction of Rs. 50,000 as per grade A, B, C, D and E
(1)(6)	Foreign Diplomatic Allowance	75% of foreign allowance received can be deducted from Taxable Income	75% of foreign allowance received can be deducted from Taxable Income
(1)(7)	<b><u>Tax for businesses u/s 4(4)</u></b>		
	Metropolitan and Sub-Metropolitan City	Rs. 7,500	Rs. 7,500

**Nepal Budget Highlights – Tax Perspective**  
**2082/83 (2025/26)**

Amendments are highlighted in <i>Amber</i>			
Schedule 1	Particulars	Tax Rates/Amount FY 82-83	Tax Rates/Amount FY 81-82
	Municipality area	Rs. 4,000	Rs. 4,000
	Others	Rs. 2,500	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)	25%	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.		
(1)(10)	<b>Disability Allowance</b>	50% of basic exemption limit (5L or 6L)	50% of basic exemption limit (5L or 6L)
	Maximum deduction allowed as disability allowance is:		
(1)(11)	<b>Female Tax Rebate</b>		
	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	10% on Tax Amount	10% on Tax Amount
(1)(12)	<b>Investment Insurance</b>		
	Resident Natural Person doing Investment Insurance can deduct the following amount from his/her taxable income for the purpose of tax calculation	Rs. 40,000 or Actual premium, whichever is lower.	Rs. 40,000 or Actual premium, whichever is lower.
<b>Presumptive tax to owners of vehicles on hire:</b>			
(1)(13)	1) Car, jeep, van, micro bus		
	Ka) up to 1300 C.C	Rs. 5,500	Rs. 5,500
	Kha) 1301 to 2000 C.C	Rs. 6,000	Rs. 6,000
	Ga) 2001 to 2900 C.C	Rs. 6,500	Rs. 6,500
	Gha) 2901 to 4000 C.C	Rs. 8,000	Rs. 8,000
	Nga) 4001 and above C.C	Rs. 9,000	Rs. 9,000
	2) Mini truck, minibuss, water tanker	Rs. 8,000	Rs. 8,000
	3) Mini tipper	Rs. 9,000	Rs. 9,000
	4) Truck, Bus	Rs. 10,500	Rs. 10,500
	5) Dozer, Excavator, Loader, Roller, Crane, similar machinery equipment	Rs. 15,500	Rs. 15,500

**Nepal Budget Highlights – Tax Perspective**  
**2082/83 (2025/26)**

Amendments are highlighted in <i>Amber</i>			
Schedule 1	Particulars	Tax Rates/Amount FY 82-83	Tax Rates/Amount FY 81-82
	6) Oil Tanker, Gas Bullet, Tipper	Rs. 15,500	Rs. 15,500
	7) Tractor	Rs. 2,500	Rs. 2,500
	8) Power Tiller	Rs. 2,000	Rs. 2,000
	9) Auto Rickshaw, Three-wheeler, Tempo	Rs. 2,500	Rs. 2,500
	Note: Collected at the time of registration or renewal of vehicles through Office of Transport Management.		
	<b>Presumptive tax on Electronic Vehicle</b>		
	(a) Up to 50 kW	Rs. 3,000	Rs. 3,000
	(b) 50 kW to 125 kW	Rs. 4,000	Rs. 4,000
	(c) 125 kW to 200 kW	Rs. 6,000	Rs. 6,000
	(d) All above 200 KW	Rs. 7,500	Rs. 7,500
(1)(16)	<b>Health Insurance</b> Resident Natural Person doing Health Insurance can deduct the following amount from his/her taxable income for the purpose of tax calculation	Rs. 20,000 or Actual Premium whichever is lower	Rs. 20,000 or Actual Premium whichever is lower
(1)(16A)	<b>Building Insurance Premium</b> 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	Rs. 5,000 or Actual Premium whichever is lower	Rs. 5,000 or Actual Premium whichever is lower
(1)(17)	<b>Transaction based tax to business u/s 4(4ka)</b>		
	<b>Turnover (for FY 2082/83) above Rs 30 lakhs up to Rs 1 Crore</b>		
	Transaction of gas, cigarette with up to 3% commission or value addition	0.25%	0.25%
	Transactions other than mentioned above	1.00%	1.00%
	Service	2%	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 up to Rs 1 crore and profit not more than 10 lakhs		
	d) Income does not include income from consultancy and expert services		
<b>FOR ENTITY</b>			
(2)(1)	<b>Normal Rate</b>	25%	25%
(2)(2)	<b>Increased Rate</b>		
	Bank and Financial Institutions	30%	30%
	General Insurance		



**Nepal Budget Highlights – Tax Perspective**  
**2082/83 (2025/26)**

Amendments are highlighted in <i>Amber</i>			
Schedule 1	Particulars	Tax Rates/Amount FY 82-83	Tax Rates/Amount FY 81-82
	Telecommunication and Internet Service provider		
	Money Transfer		
	Capital Market Business		
	Securities Business		
	Merchant Banking Business		
	Commodity Future Market		
	Securities and Commodity Broker Business		
	Entities engaged in business of cigarette, bidi, cigar, surti, khaini, panmasala, alcohol		
	Entities engaged in petroleum operations under Nepal Petroleum Act 2040		
(2)(3)	Cooperative registered as per Cooperatives Act 2074 operated in following areas except cooperative carrying out exempt transactions:		
	In Municipality area	5%	5%
	In Sub Metropolitan cities area	7%	7%
	In Metropolitan cities area	10%	10%
	Cooperative registered as per Cooperatives Act 2074 engaged in transactions of Saving & Credit:		
	In Municipality area	10%	10%
	In Sub Metropolitan cities area	15%	15%
	In Metropolitan cities area	20%	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)	Taxed as per Schedule 1(1)(4)	Taxed as per Schedule 1(1)(4)
(2)(6)	Repatriated income of a Foreign Permanent Establishment of a non-resident person situated in Nepal	5%	5%
(2)(7)	Income of a nonresident person u/s 70 embark from Nepal	5%	5%
(2)(7)	Non-resident person providing telecommunication, water transport or air transport service which do not embark from Nepal	2%	2%

**8. TDS RATES APPLICABLE FOR F.Y. 2082/83 (2025/26)**

**Note: No change in the withholding tax rates.**

Amendments are highlighted in <i>Amber</i>			
Section	Particulars	TDS rate	TDS rate
		FY 82-83	FY 81-82
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	15%	15%
88(1)	Royalty, service fee, commission, sales bonus, natural resource payments having source in Nepal	15%	15%
88(1)	Meeting allowances, payment for occasional teaching having source in Nepal	15%	15%
92(1)(Ja)			
88(1)(1)	Payment made by GON or ARF after deducting higher of 5,00,000 or 50%	5%	5%
92(1)(Chha)			
88(1)(2)	Commission paid by resident employment company to non-resident	5%	5%
92(1)(Cha)			
88(1)(3)	Payment for aircraft lease	10%	10%
88(1)(4)	Payment of service fee to service provider registered in VAT or person carrying out VAT exempt transaction	1.50%	1.50%
88(1)(5)	Rent paid by a resident person having source in Nepal	10%	10%
88(1)(5)	Rent paid to person conducting business of vehicle leasing registered in VAT	1.50%	1.50%
88(1)(5)	House Rent paid to a natural person	No TDS	No TDS
88(1)(6)	Dividend by mutual fund to:		
92(1)(yah)	Natural person	5%	5%
	Others	15%	15%

**Nepal Budget Highlights – Tax Perspective**  
**2082/83 (2025/26)**

<i>Amendments are highlighted in Amber</i>			
Section	Particulars	TDS rate	TDS rate
		FY 82-83	FY 81-82
88(1)(7)	Payment for use of satellite, bandwidth, optical fiber, equipment relating to telecommunications or electric transmission cable by a resident person	10%	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%	5.00%
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 TDS	No TDS
88(1)(11)	While making payment to Foreign Colleges or University for Registration Fee, Tuition Fee, and Exam Fee	5%	5%
88(1)(12)	Interest payment by Resident Banks and Financial Institution to Life Insurance Companies against their deposits	5%	5%
88(1)(13)	Payment of royalty income for literary writings and creations to resident person	1.50%	1.50%
88(2)(Ka)	Dividend	5%	5%
92(1)(Ka)			
88(2)(Kha)	Gain on investment insurance	5%	5%
92(1)(Ga)			
88(2)(Ga)	Gain from payment from resident Unapproved Retirement Fund.	5%	5%
92(1)(Gha)			
88(3)	<b>Interest from BFI, entity issuing debenture, cooperatives, or listed company to:</b>		
92(1)(Nga)	Natural person other than in conducting business	6%	6%



**Nepal Budget Highlights – Tax Perspective**  
**2082/83 (2025/26)**

Amendments are highlighted in <i>Amber</i>			
Section	Particulars	TDS rate	TDS rate
		FY 82-83	FY 81-82
	Tax exempt entity	15%	15%
	Other Entity	15%	15%
88(4)(Ka)	Payment by natural person other than in conducting business	No TDS	No TDS
88(4)(Ka1)	Payment for articles in newspaper	No TDS	No TDS
88(4)(Kha)	Payment of interest to BFI	No TDS	No TDS
88(4)(Kha1)	Interest paid by cooperative banks and cooperatives on loan investments	No TDS	No TDS
8(4)(Ga)	Exempted payments or payments subject to tax deduction u/s 87	No TDS	No TDS
88(4)(Gha)	Payment of interchange charge by banks issuing credit cards	No TDS	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)	Windfall gain	25%	25%
92(1)(Jha)			
88Ka(2)	National and international prize up to Rs 500,000 for contribution in literature, arts, culture, sports, journalism, science, technology. However, if the prize amount exceeds five lakh rupees, only the excess amount will be subject to windfall gain tax.	No TDS (if notified by government through publishing in Nepal gazette)	No TDS (if notified by government through publishing in Nepal gazette)
92(1)(Jha)			
Section 89: TDS on Payment of Contracts and Agreements			
89(1)	Contract for 50,000 or more	1.50%	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.	5%	5%
89(3)(Kha)	On payment of Premium or while paying commission to Non-resident Insurance company for the Reinsurance Premium Received	1.50%	1.50%
89(3)(Ga)	Other payments to Non-resident prescribed by department	As prescribed	As prescribed
89(3Ka)	Payment made for work to be done through User Committee (Upabhokta Samitee) above Rs 50 lakh	1.50%	1.50%

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