

Income Tax Provision Fiscal Year 2078/79

Legend for this Section:

Blue – Added by Finance Ordinance, 2078

Green – Amended by Finance Ordinance, 2078

Yellow – Deleted by Finance Ordinance 2078

Highlights of Direct & Indirect Taxes (1/2)

❑ Income Tax:

- **Waiver:** Taxpayers having pending cases in IRD/Revenue Tribunal against the tax assessments made up to Asadh 2077 have an option to pay the assessed tax and 50% of the interest on such tax amount until Mangsir 2078. IRD shall waive off the balance interest, charges, penalties and fees.
- **Relief:** COVID Relief package has been provided in the form of reduced tax rates to the Small & Medium Scale Businesspersons who have turnover below NPR 1 Crore.
- **Capital Gain:** Capital Gain tax for natural persons who sell the listed securities within 365 days shall be charged at 7.5% (previously 5%).
- **Rebate:** Startup businesses have been provided 100% tax exemption for the first five years if the turnover does not exceed NPR 1 Crore.

❑ Value Added Tax:

- **Registration:** Compulsory Registration requirement in VAT on the basis of the nature of businesses has been removed.
- **Certification:** Provision for certification of Purchase Books and Sales Books by tax officer has been removed.
- **Input Credit:** Input Credit on purchase of Diesel & LP Gas shall be eligible. Additionally, Petrol purchased for any purpose other than for vehicle usage shall also be eligible for claim.
- **Expired Goods:** Input Credit on goods which have expired, shall be provided as per the rules prescribed.
- **Registers:** The formats for VAT Purchase & Sales Registers has been revised.

Highlights of Direct & Indirect Taxes (2/2)

❑ Excise Duty:

- **Tariff:** The tariff has been decreased for Electric Vehicles. On the other hand, tariff on alcohol, cigarettes & other beverages have increased.
- **Waiver:** Fees, penalties and charges shall be waived off if 75% of overdue excise duty assessed as per Excise Duty Act, 2015 and 100% of excise duty assessed as per Excise Duty Act, 2058 are paid before Poush 2078.
- **License Renewal:** License holders of excise duty who had not renewed license can now renew by paying renewal charges for each year up to Shrawan 2078. No extra charges shall be levied on such renewals.

❑ Custom Duty:

- **Tariff:** The tariff has been decreased for items like refrigerators, washing machines and various other electronics. On the other hand, tariff on chocolates have increased.
- **One Door System:** 6th Custom Reform and Modernization Plan shall be started from Shrawan 1 and National Single Door System will be implemented.
- **E-Payment:** Electronic payment system shall be implemented for all the taxes and charges paid at custom point.
- **Renewal:** EXIM Code can now be renewed for 5 years at once.
- **Upgradation:** Equipment like container scanners, weighing machines and other modern equipment shall be installed in various custom points.

Tax Rates: Natural Person (1/2)

Individual/ Natural Person	Tax Rate	
	F. Y. 2078-79 (2021-2022)	F. Y. 2077-78 (2020-2021)
Resident		
➤ Couple Status - • Up to Rs. 4.5 Lacs (Includes Widow & Widower)	1%	1%
➤ Individual Status- • Up to Rs. 4 Lacs		
• Next - Rs. 1 Lac	10%	10%
• Next - Rs. 2 Lacs	20%	20%
• Up to - Rs. 20 Lacs	30%	30%
• Above - Rs. 20 Lacs (20% Surcharge)	36%	36%
Non-Resident		
• Any Amount	25%	25%

Notes:

- 1% tax mentioned above (Social Security Tax | SST) is not applicable for:
 - (i) Proprietorship Firms;
 - (ii) Pension Income and ;
 - (iii) Natural person participating to Contributory Pension Fund Scheme & Contributory Social Security Fund (SSF).
- In case of resident disabled natural person, an additional 50% of exemption limit shall be allowed to be deducted.
- 10% tax rebate to resident woman earning remuneration income only.
- Deduction up to Rs. 50K as Remote Area Allowance.
- Foreign Allowance Income of an employee posted outside Nepal for Diplomatic Mission of Nepal will get 75% rebate of such allowance.

Tax Rates: Natural Person (2/2)

Notes (Continued):

- Husband and wife having separate income source are given choice to adopt either to get assessed separately or jointly as married family.
- Deduction of life insurance premium paid to resident or non-resident companies up to Rs. 25,000 is allowed.

Deduction of 'Personal Building' insurance premium paid to resident or non-resident companies up to Rs. 5,000 or the premium amount, whichever is lower shall be allowed.

- Deduction for retirement fund contribution is available @ 1/3rd of assessable income or NPR 300,000 whichever is lower. However, if the same is deposited with SSF then deduction shall be lower of 1/3rd or NPR 500,000 or **(IT Rule 21)**.
- Income from non-chargeable business assets (i.e. land, buildings and shares) is taxable as follows (Capital Gain):
 - ✓ @ 2.5% (if L&B held for more than 5 years) and 5% (if held for less)
 - ✓ @ 10% on sale of shares of non-listed entity.
 - ✓ @ 5% on sale of shares of listed entity **(More than 365 Days)**
 - ✓ @ **7.5% on sale of shares of listed entity (Up to 365 Days)**

Notes (Continued):

Additional Deduction of '25% of Standard Threshold' available to the assessee having only pension income has been re-

- For natural persons involved in industry, the following tax rates shall be applicable for when the normal tax rate applicable is 30%:

Particulars	2078-79	2077-78
Individual in Special Industry	20%	20%
Individual & Export Business	15%	15%
Individual in Manufacturing Industry & Export	9.75%	11.25%

Tax Rates: Entities (1/2)

Entities	Tax Rate	
	FY 2078-79 (2021-2022)	FY 2077-78 (2020-2021)
Normal Tax Rates		
<ul style="list-style-type: none"> • General Tax Rate <ul style="list-style-type: none"> ➢ Private Limited ➢ Limited ➢ Partnership Firm (Not specifically mentioned below) 	25%	25%
Entities operating in the following areas: <ul style="list-style-type: none"> • Banking & Finance Company • General Insurance Company 	30%	30%
Manufacturing Co's. in the following areas: <ul style="list-style-type: none"> • Petroleum Entities • Cigarette • Beer • Liquor • Khaini • Guthka • Pan Masala 		

Entities	Tax Rate	
	FY 2078-79 (2021-2022)	FY 2077-78 (2020-2021)
Normal Tax Rates		
Entities operating in the following areas: <ul style="list-style-type: none"> • Telecom • Internet • Money Transfer • Capital Market • Stock Exchange • Merchant Banking, • Commodity Future Market • Stock Brokers. 	30%	30%
• Income of Life Insurance Company	25%	25%
• Casual income.	25%	25%
• Co-operative Institutions registered under Co-operative Act, 2074 (Except Tax Exempt Transactions under Section 11 (2))		
A. Operating in Municipality Area	5%	5%
B. Operating in Sub-Metropolitan Area	7%	7%
C. Operating in Metropolitan Area	10%	10%

Tax Rates: Entities (2/2)

Entities	Tax Rate	
	FY 2078-79 (2021-2022)	FY 2077-78 (2020-2021)
Rates after application of Section 11 (Business Rebates)		
<ul style="list-style-type: none"> Special Industries (Manufacturing, Forest, Agriculture and Mining Industries; except Liquor, Cigarette, Khaini, Guthka and Pan-Parag as defined in Section 11) (Tax rate after availing rebate u/s 11) 	20%	20%
<ul style="list-style-type: none"> Export income of 		
<ul style="list-style-type: none"> ➤ Manufacturing Special Industries 	10.40%	12%
<ul style="list-style-type: none"> ➤ Non-Manufacturing Special Industries <ul style="list-style-type: none"> Mines Agro-Based Forestry 	16%	16%
<ul style="list-style-type: none"> ➤ Manufacturing Industries – (Non-Special Industries having AR/TR of 30%) 	15.60%	18%
<ul style="list-style-type: none"> ➤ Other Export Entities 	20%	20%

Entities	Tax Rate	
	FY 2078-79 (2021-2022)	FY 2077-78 (2020-2021)
Rates after application of Section 11 (Business Rebates)		
Entities operating <ul style="list-style-type: none"> Tram Trolley Bus 	15%	15%
Entities constructing and operating <ul style="list-style-type: none"> Ropeway Cable Car Over Bridge 	15%	15%
Entities constructing and operating <ul style="list-style-type: none"> Road Bridge Underpass Tunnel/Railways Airport 	12.5%	12.5%
<ul style="list-style-type: none"> Entities wholly engaged in the projects conducted to build public infrastructure under Build, Operate and Transfer model (BOT) to GON & in Power Generation, Transmission or Distribution Sector. 	20%	20%

Tax Rates: Others (1/3)

Presumptive Taxation (Small-Scale Businessperson)

The amount of presumptive tax for natural person having income up to **Rs 3 Lacs (PY 2 Lacs)**

Presumptive Tax Rates (Normal):

Individuals Conducting Business	Lump Sum Tax
	F. Y. 2078-79 (Up to 30 Lacs)
• Metropolitan & Sub-Metropolitan	7,500
• Municipalities	4,000
• Anywhere else in Nepal	2,500

Amendment in Presumptive Tax (COVID-19 Package):

Individuals Conducting Business	Amended Tax Rate
	F.Y. 2077-78 (Up to 20 Lacs)
• Metropolitan & Sub-Metropolitan	750
• Municipalities	400
• Anywhere else in Nepal	250

Notes:

- The assessee who were registered in VAT, could not opt for this scheme, however as per the amendment in the present budget, any person who is and has an annual turnover up to NPR 30 Lacs or income up to NPR 3 lacs may opt for Presumptive Tax Rates.
- Additionally, the law stated that the assessee opting for presumptive taxation were **required to submit evidence** along with the Income Return, however this requirement **has been removed** by the Finance Ordinance 2078.

Tax Rates: Others (2/3)

Turnover Taxation (Medium-Scale Businessperson)

While computing tax on turnover, tax up to **Rs. 3 million (PY 2 million)** shall be computed as per Section 4(4) and on the excess turnover above **PY 20 lacs** up to **Rs 1 crore (PY 50 lacs)**, tax shall be calculated on the basis of rates mentioned below:

(Turnover Tax Rates (Normal):

Individuals Conducting Business	Tax Rate (FY 78-79)	
	30 to 50 lacs	50 lacs to 1 Cr.
<ul style="list-style-type: none"> Persons engaged in sales of cigarette, gas, etc. by adding commission/profit up to 3% 	0.25% of Turnover	0.30% of Turnover
<ul style="list-style-type: none"> Persons engaged in the transactions (Other than above) 	1.00% of Turnover	0.80% of Turnover

Amendment in Turnover Tax (COVID-19 Package):

Individuals Conducting Business	Amended Tax Rate
	FY 2077-78 (20 to 50 Lacs)
<ul style="list-style-type: none"> Persons engaged in sales of cigarette, gas, etc. by adding commission/profit up to 3% 	0.0625% of Turnover
<ul style="list-style-type: none"> Persons engaged in the transactions (Other than above) 	0.1875% of Turnover

Notes:

- The assessee who were registered in VAT, could not opt for this scheme, however as per the amendment in the present budget, any person who is registered or non-registered under VAT and has an annual turnover up to NPR 1 Crore may opt for Turnover Tax Rates.
- For natural person earning turnover between NPR 50 Lacs to NPR 1 Cr. in the FY 77-78, COVID Relief Rebate has been provided at the rate of

Tax rates: Others (3/3)

Tax Rates: Non-Resident Person

Particulars of Business	Tax Rate	
	F. Y. 2078-79 (2021-2022)	F. Y. 2077-78 (2020-2021)
• Income earned from normal transactions.	25%	25%
• Income earned from providing shipping, air transport or telecommunication services, postage, satellite, optical fiber project.	5%	5%
• Income earned from providing shipping, air transport or telecommunication services through the territory of Nepal.	2%	2%
• Repatriation by Foreign Permanent Est	5%	5%
• Capital Gain tax on sale of shares (WHT 25% subject to tax treaties)	25%	25%

Withholding Taxes (1/5)

Particulars	Rate of TDS		Final Withholding Tax
	FY 2021-2022	FY 2020-2021	
Section 87			
• Remuneration	Normal rate of Individual	Normal rate of Individual	
Section 88			
Interest			
• Interest Income from deposit up to Rs. 25,000 under 'Micro Finance Program', 'Rural Development Bank', 'Postal Saving Bank' & Co-Operative u/s 11(2) in Rural Areas	Exempt	Exempt	
• Interest on Deposits/Debentures from Resident Bank, Cooperative, Finance Companies or Listed Co's and on Govt. Bonds to Individuals not related to business.	5%	5%	Yes
• Interest payment by resident bank and financial institutions to the Investment Insurance companies [Life Insurance]	5%	15%	
• Interest paid by Resident BFI to Foreign Banks & Financial Institutions in Forex where purpose of the loan is to finance prescribed sectors which are Approved by NRB	10%	10%	Yes
• Interest to Others - Not Stated Above	15%	15%	
Rent			
• Rent to Natural Person (Taxed by Local Government)	-	-	Yes
• Rent to Vehicle Rental Service Provider (VAT Regd.)	1.5%	1.5%	
• Transportation/ Freight or Hire of Means of Transportation (VAT Regd.)	-Withdrawn-	1.5%	
• Transportation/ Freight or Hire of Means of Transportation (Non- VAT Regd.)	2.5%	2.5%	Yes*
• Hire Charges	10%	10%	Yes
• Rent to Others	10%	10%	
• Lease Rental of Aircraft	10%	10%	Yes
• Payment against use of Satellite, Bandwidth, Optical Fiber, Telecom Related Equipment or Electric Transmission Line	10%	10%	

Withholding Taxes (2/5)

Particulars	Rate of TDS		Final Withholding Tax
	FY 2021-2022	FY 2020-2021	
Service Fees			
• Service Fees paid to Service Oriented Resident person regd. under VAT or Dealing in Tax exempt transaction	1.5%	1.5%	
• Service Fees	15%	15%	
Commission			
• Commission paid by Resident Employment Companies to Non Residents	5%	5%	Yes
• Commission	15%	15%	
• Bonus on Sales/ Target Bonus	15%	15%	
Dividend			
• Dividend distributed by Resident Companies to Residents	5%	5%	Yes
• Dividend distributed by Resident Companies to Non Residents	5%	5%	Yes
• Dividend distributed by Partnership Firm	5%	5%	Yes
Gain from Investment Insurance			
• Gain from Investment Insurance - Claim in case of death	Exempt	Exempt	
• Gain from Investment Insurance - Claim in any other case	5%	5%	Yes
Mutual Fund			
• Income distributed by Mutual Fund to Natural Person	5%	5%	Yes
• Income distributed by Mutual Fund to Other Person (Entity)	15%	15%	
Retirement Benefits			
• Gains from Unapproved Retirement Interests	5%	5%	Yes
• Lump Sum Retirement Payment from Approved Fund & GoN under Section 65 (1b)	5%	5%	Yes

Withholding Taxes (3/5)

Particulars	Rate of TDS		Final Withholding Tax
	FY 2021-2022	FY 2020-2021	
Others			
• Registration Fee, Tuition Fee & Exam Fee paid to foreign college or university	5%	-	Yes
• Verification of Answer Sheet and Preparation of Question Paper	15%	15%	Yes
• Teaching-not on regular basis (Part time teaching)	15%	15%	Yes
• Meeting Allowances (up to Rs. 20,000 per meeting)	15%	15%	Yes
• Royalty	15%	15%	
• Natural Resource Payments	15%	15%	
• Casual Income	25%	25%	Yes
Section 89			
Contract Payments			
• Payment under Contract exceeding Rs. 50,000	1.5%	1.5%	
• Work done through Consumer Committee (Up-Bhokta Samiti) if Amount > Rs. 50 Lacs	1.5%	1.5%	
Payment to Non-resident Person under a Contract			
• Premium paid to Non-resident Insurance Company & Commission Paid on Reinsurance Premium received from Non-resident Insurance Company	1.5%	1.5%	Yes
• Payment under Other Contracts/Agreements	5%	5%	Yes
• Payment under Service Contract to Non-resident	15%	15%	Yes

Withholding Taxes (4/5)

Particulars	Rate of TDS		Final Withholding Tax
	FY 2021-2022	FY 2020-2021	
Section 95 (Ka)			
Gain from Disposal of Interest in Resident Entity			
Gain on Sale of Shares of Listed Entity to:			
➤ Natural Person (Held for more than 365 Days)	5%	5%	
➤ Natural Person (Held up to 365 Days)	7.5%	5%	
➤ Resident Entity	10%	10%	
➤ Other	25%	25%	
Gain on Sale of Shares of Unlisted Entity to:			
➤ Natural Person	10%	10%	
➤ Resident Entity	15%	15%	
➤ Other	25%	25%	
Capital Gain tax on Sale of Land/Building owned by Natural Person (Deducted by Land Revenue Office i.e. Malpot):			
➤ For more than 5 years	2.5%	2.5%	
➤ For less than 5 years	5%	5%	
➤ Capital Gain Tax in Other Case: - (On Sale Value)	1.5%	1.5%	
Others			
• Person exporting software or similar e-services (Banks & Financial Institutions to deduct TDS on receipt of FCY)	1%	-	
• Gain From Commodities Future Market	10%	10%	
• Language Proficiency Examination Fees paid in Foreign Currency by BFI's on behalf of students going abroad for further education.	15%	15%	

Withholding Taxes (5/5)

□ General Provisions:

- Withholding Tax needs to be deposited along with TDS Return with IRO within 25 days from the end of month.
- Withholding Tax Certificate should be issued to the person from whom tax has been deducted based on the TDS Return filed with IRO to get the credit for such tax.
- In case of delayed payment of WHT, the applicable rate of Interest is 15% per annum. Penalty of 2.5% p.a. on TDS amount will be levied for non-submission of e-TDS return within prescribed time limit. Penalty u/s 117 and 120 shall be imposed on Non-payment of TDS and non-submission of TDS Return.

□ Notes on Withholding Taxes:

- Rs. 50,000 referred in Section 89 shall be determined by aggregating payments under a contract with any other payment made by the same person /associate of the person during the previous 10 days under the same contract to the same payee/associate of the payee.
- “Contract” has been defined as an agreement entered into for supply of goods or labor or construction/erection/establishment of tangible assets or structure or any other work prescribed as contract by the Inland Revenue Department.

□ No TDS is required to be deducted on the following:

- Remuneration to the writer of articles published in Newspaper & Magazines.
- Inter-Regional interchange charges paid to a bank issuing Credit Cards.
- Interest or fee paid by GoN, under an agreement, to Foreign Govt. or an International Organization. (To which Nepal is a party)

Interest and Dividend paid to a Mutual Fund.

- Payment of Interest to a Resident Bank or Other Resident Financial Institution.
- Payments that are exempt from tax.
- Life/General Insurance premium.
- Incentive amount for consumer who have paid their bill through electronic payment instruments like payment card, e-money(wallet), mobile banking.

Interest paid or received between cooperative banks and cooperative societies.

Tax Concessions and Rebates (1/6)

Sec.	Type of Industry	Rebate & Concession	
		FY 2021-22	FY 2020-21
11 (3) (A)	<ul style="list-style-type: none"> ▪ Special industry (Manufacturing) and IT Industry providing direct employment to: <ul style="list-style-type: none"> ➤ >100 Nepalese citizen during the entire year ➤ >300 Nepalese citizen during the entire year ➤ >500 Nepalese citizen during the entire year ➤ >1000 Nepalese citizen during the entire year 		
		10% of the AR/TR	10% of the AR/TR
		20% of the AR/TR	20% of the AR/TR
		25% of the AR/TR	25% of the AR/TR
		30% of the AR/TR	30% of the AR/TR
	(Additional 10% concession shall be provided if direct employment is provided to 100 or more Nepali Citizens including at least 33% of Women, Dalits or Disabled Persons.)		
11 (3) (B)	<ul style="list-style-type: none"> ▪ Special Industry operating in following regions have following tax rates: <ul style="list-style-type: none"> ➤ Underdeveloped Regions – For the first 10 years ➤ Undeveloped Regions – For the first 10 years ➤ Partly developed Regions – For the first 10 years 		
		90% of AR/TR	90% of AR/TR
		80% of AR/TR	80% of AR/TR
		70% of AR/TR	70% of AR/TR
11 (3) (C)	<ul style="list-style-type: none"> ▪ Special Industry & Tourism Industry (except Casino) with: <ul style="list-style-type: none"> ✓ Capital Investment of Rs. 1 billion ✓ Direct Employment of 500 persons during the whole year. 		
	<ul style="list-style-type: none"> ➤ For the first 5 years 	100% - Tax Exempt	100% - Tax Exempt
	<ul style="list-style-type: none"> ➤ For the subsequent 3 years 	50% of the AR/TR	50% of the AR/TR
	<ul style="list-style-type: none"> ▪ Further, if existing special industry & Tourism Industry (except Casino) increases its installed capacity by 25% or more to reach the capital of Rs. 2 billion (PY 1 Billion) and 300 persons (PY 500 persons) during the whole year. 		
	<ul style="list-style-type: none"> ➤ For the first 5 years – Profit earned on the Increased Capacity ➤ For the subsequent 3 years – Profit earned on the Increased Capacity 	100% - Tax Exempt	100% - Tax Exempt
		50% of the AR/TR	50% of the AR/TR

Tax Concessions and Rebates (2/6)

Sec.	Type of Industry	Rebate & Concession	
		FY 2021-22	FY 2020-21
11 (3A) (A)	<ul style="list-style-type: none"> ▪ Industries established in Special Economic Zone ▪ Situated in Mountainous Districts and Hilly Districts prescribed by GoN. 		
	➤ For the first 10 years	100% - Tax Exempt	100% - Tax Exempt
	➤ After such period	50% of the AR/TR	50% of the AR/TR
11 (3A) (B)	<ul style="list-style-type: none"> ▪ Industries established in Special Economic Zone ▪ Situated in Other Regions 		
	➤ For the first 5 years	100% - Tax Exempt	100% - Tax Exempt
	➤ After such period	50% of the AR/TR	50% of the AR/TR
11 (3A) (C)	<ul style="list-style-type: none"> ▪ Dividend distributed by industries in Special Economic Zone 		
	➤ For the first 5 years	100% - Tax Exempt	100% - Tax Exempt
	➤ For the subsequent 3 years	50% of the AR/TR	50% of the AR/TR
11 (3A) (D)	<ul style="list-style-type: none"> ▪ Income from Foreign Technology, Management Service Fee & Royalty of Foreign Investor in Special Economic Zone 	50% of the AR/TR	50% of the AR/TR
11 (3B)	<ul style="list-style-type: none"> ▪ Persons involved in Exploration & Extraction of Petroleum, Natural Gases, Fuel & Mining - Will start its operation within Chaitra end 2080 BS (2023AD) 		
	➤ For the first 7 years	100% - Tax Exempt	100% - Tax Exempt
	➤ For the subsequent 3 years	50% of the AR/TR	50% of the AR/TR
11 (3C)	<ul style="list-style-type: none"> ▪ IT industry established within IT Park, Biotech Park, Zoological Park, Geological Park and Technology Park as specified in the Gazette 	50% of the AR/TR	50% of the AR/TR

Tax Concessions and Rebates (3/6)

Sec.	Type of Industry	Rebate & Concession	
		FY 2021-22	FY 2020-21
11 (3D)	<ul style="list-style-type: none"> ▪ Hydropower Projects, Solar Energy Projects, Waste-To-Energy and Wind Turbine Projects that have commercially started generation of electricity by Chaitra, 2080 		
	<ul style="list-style-type: none"> ➤ For the first 10 years 	100% - Tax Exempt	100% - Tax Exempt
	<ul style="list-style-type: none"> ➤ For the subsequent 5 years 	50% of the AR/TR	50% of the AR/TR
11 (3E)	<ul style="list-style-type: none"> ▪ Tax exemption on income earned from export in any income year from a source in Nepal shall be as follows: 		
	<ul style="list-style-type: none"> ➤ (a) Natural Person whose Tax is chargeable @ 20% 	25% of the AR/TR	25% of the AR/TR
	<ul style="list-style-type: none"> ➤ (a) Natural Person whose Tax is chargeable @ 30% 	50% of the AR/TR	50% of the AR/TR
	<ul style="list-style-type: none"> ➤ (b) Entity 	20% of the AR/TR	20% of the AR/TR
	<ul style="list-style-type: none"> ➤ (c) Manufacturing Based Industry – [In addition to above (a) & (b)] 	35% of the AR/TR	25% of the AR/TR
11 (3F)	<ul style="list-style-type: none"> ▪ Entities in the following sectors: 		
	<ul style="list-style-type: none"> ➤ Operating - Tram/Trolley Bus 	40% of the AR/TR	40% of the AR/TR
	<ul style="list-style-type: none"> ➤ Constructing and Operating - Ropeway/Cable Car/Over Bridge 	40% of the AR/TR	40% of the AR/TR
	<ul style="list-style-type: none"> ➤ Constructing and Operating - Road/Bridge/Underpass/Tunnel/Railways/Tunnel/Railways/Airport 	50% of the AR/TR	50% of the AR/TR
11 (3G)	<ul style="list-style-type: none"> ▪ Following Entities listed in Stock Exchange 		
	<ul style="list-style-type: none"> ➤ Manufacturing/Tourism/Production, Distribution & Transmission of Hydro-Power/Entities in 11 (3C) 	15% of the AR/TR	15% of the AR/TR

Tax Concessions and Rebates (4/6)

Sec.	Type of Industry	Rebate & Concession	
		FY 2021-22	FY 2020-21
11 (3H)	<ul style="list-style-type: none"> ▪ Manufacturers of - Brandy based on Fruits, Cider & Wine in: <ul style="list-style-type: none"> ✓ Remote Area ✓ Undeveloped Area 		
	<ul style="list-style-type: none"> ➤ For the first 10 years – Remote Area 	40% of the AR/TR	40% of the AR/TR
	<ul style="list-style-type: none"> ➤ For the first 10 years – Undeveloped Area 	25% of the AR/TR	25% of the AR/TR
11 (3I)	<ul style="list-style-type: none"> ▪ Royalty Income earned from Export of Intellectual Assets 	25% of the AR/TR	25% of the AR/TR
11 (3J)	<ul style="list-style-type: none"> ▪ Income earned from the Disposal of Intellectual Assets 	50% of the AR/TR	50% of the AR/TR
11 (3K)	<ul style="list-style-type: none"> ▪ Tourism Industry or Aviation Industry operating International Flights with: <ul style="list-style-type: none"> ✓ Capital Investment of Rs. 2 billion 		
	<ul style="list-style-type: none"> ➤ For the first 5 years – From the Date of Commencement 	100% - Tax Exempt	100% - Tax Exempt
	<ul style="list-style-type: none"> ➤ For the subsequent 3 years 	50% of the AR/TR	50% of the AR/TR
11 (3L)	<ul style="list-style-type: none"> ▪ Special Industry, Industry based in Agriculture & Tourism Sector which capitalizes its profit (i.e. Issues Bonus Shares) for the purpose of capacity enhancement 	100% - Tax Exempt	100% - Tax Exempt
11 (3M)	<ul style="list-style-type: none"> ▪ Conversion of Private to Public Company (Paid up capital > Rs. 500 Million) ✓ This rebate shall not be applicable for companies mandated to be registered as public under Section 12 of the Companies Act 		
	<ul style="list-style-type: none"> ➤ For the first 3 years – From the Date of Conversion 	10% of the AR/TR	10% of the AR/TR
11 (3N)	<ul style="list-style-type: none"> ▪ Tea Production and Processing, Dairy Industry & Textile Industry 	50% of the AR/TR	50% of the AR/TR
11 (3O)	<ul style="list-style-type: none"> ▪ Community Hospital 	20% of the AR/TR	20% of the AR/TR

Tax Concessions and Rebates (5/6)

Sec.	Type of Industry	Rebate & Concession	
		FY 2021-22	FY 2020-21
11 (3P)	<ul style="list-style-type: none"> Small Scale Industry (Laghu Udyam) having: <ul style="list-style-type: none"> ✓ Fixed capital up to Rs. 5 lacs (except land and building) ✓ Total Annual Turnover below Rs. 50 Lacs ✓ Employing up to 9 employees (including proprietor) 		
	➤ For the first 7 years – From Date of Commencement – Male	100% - Tax Exempt	100% - Tax Exempt
	➤ For the first 10 years – From Date of Commencement – Female	100% - Tax Exempt	100% - Tax Exempt
11 (3Q)	<ul style="list-style-type: none"> Entities engaged in Public Infrastructure Development operating under Build/Operate/Transfer model & Development of Power Houses engaging in Generation & Transmission. 	20% of the AR/TR	20% of the AR/TR
11 (3R)	<ul style="list-style-type: none"> Special Industry established or relocated to Industrial Zone/Industrial Village 	25% of the AR/TR	25% of the AR/TR
	<ul style="list-style-type: none"> For the first 5 years 	-	25% of the AR/TR
	<ul style="list-style-type: none"> For the first 3 years 	50% of the AR/TR	-
	<ul style="list-style-type: none"> For the subsequent 5 years 	25% of the AR/TR	-
11 (3S)	<ul style="list-style-type: none"> Industry manufacturing raw materials or subsidiary raw materials locally and sells such materials to special industries 	20% of the AR/TR	-
11 (3T)	<ul style="list-style-type: none"> Startups using revolutionary knowledge, thought, skill, technology, behavior and technique which have been prescribed by the IRD and have turnover up to one crore rupees. 		-
	<ul style="list-style-type: none"> For the first 5 Years from the date of commencement 	100% - Tax Exempt	-

Tax Concessions and Rebates (6/6)

Go	Type of Industry	Rebate & Concession	
		FY 2021-22	FY 2020-21
11 (3U)	Relocation of Special Industry operating in Kathmandu Valley to outside the valley		-
	For the first 3 years from the date of commencement	100% - Tax Exempt	-
	For the subsequent 2 years	50% of the AR/TR	-
11 (3V)	Industry producing goods using only 'Used Materials' as raw materials that has direct impact on the environment		-
	For the first 3 years from the date of commencement	50% of the AR/TR	-
	For the subsequent 2 years	25% of the AR/TR	-

Income Tax – Other Amendments

Section	Sub Heading	Amended Provision	Existing Provision
Section 2 (r)	Non-Business Chargeable Assets	Explanation: For the purpose of this clause, "private building" means building, land occupied by the building and the additional equivalent land occupied by the such building or one Ropani of land whichever is lesser.	Explanation: For the purpose of this clause, "private building" means building and the land occupied by the building or one Ropani of land whichever is lesser.
Section 2 (aai)	Service Charge	"Service charge" means any charge paid to any person, according to the market value, for the service rendered by such a person, and the term also includes meeting allowance, management fee or technical service charge.	"Service charge" means any charge paid to any person, according to the market value, for the service rendered by such a person, and the term also includes any commission , meeting allowance, management fee or technical service charge.
Section 47A	Special provision on disposal as a result of merger of business: BFI's & Insurance Co's	Entity willing to be amalgamated shall provide letter of intent for amalgamation to the IRD not later than the end of Ashad 2079 . The entity shall complete the procedure not later than the end of Ashad 2080 .	Entity willing to be amalgamated shall provide letter of intent for amalgamation to the IRD not later than the end of Ashad 2078. The entity shall complete the procedure not later than the end of Ashad 2079.
Section 75 (2)	Publication of Circular	The Department shall make available the circular issued pursuant to Sub-section (1) on the website of the department or in the national newspaper or other electronic medium .	The Department shall make available the circular issued pursuant to subsection (1) in the Department or in any other places as per necessity or through any other means .
Section 79 (1) (a)	Service of Documents	Where it is sent to the fax at the address , email or such other electronic medium of that person.	Where it is sent to the telefax, telex , email or such other electronic medium of that person.

Income Tax – Other Provisions (1/2)

Exempt Income (Section 10):

Particulars of Income
• Bilateral/Multilateral agreements with GoN
• Employee of foreign government
• Received from foreign state fund by the relative of the employee mentioned above
• Service under GoN by a Non-Nepali Citizen under condition of tax exemption
• Social Security Allowances provided by GoN
• Gifts, Inheritance or Scholarship
• Donations, Gifts or Contribution obtained by Tax-Exempt Entity
• Pension received by Nepali citizen from foreign government
• Income of Central, State or Local government
• Income earned by Nepal Rastra Bank
• Drinking Water or Sanitation Consumer Organization
• Income of Mutual Fund (Approved by SEBON)
• Income of Educational Institution (Agreement with GoN & Non-Profit)

Deductible Donations under Income Tax Act (Section 12):

Section	Description
Donation to Tax Exempt Entities (Section 12)	<ul style="list-style-type: none"> Donation paid to any tax exempt entity shall be deductible as expenses equivalent to - Lower of Rs 1 Lac or 5% of Adjusted Taxable Income (ATI)
Preservation of National Heritage/Sports Infrastructure (Section 12A)	<ul style="list-style-type: none"> Rs 1 Million or 10 % of Assessable Income shall be allowed as expenses if incurred for preservation of national, religious and cultural heritage sites in Nepal and development of sports infrastructure, with prior approval from the Inland Revenue Department.
Contribution to PM Relief Fund & National Relief Fund (Section 12B)	<ul style="list-style-type: none"> Any contribution made to the said fund shall be allowed as deduction from the taxable income of the person.
Donation to Startup Business (Section 12C)	<ul style="list-style-type: none"> Any person donating seed capital to unassociated persons for Startup Business shall be eligible to claim such deductible expenses up to 5 lakh rupees. (1 Lakh per Startup Business)

Additional Note for Tax Exempt Organizations:

- The **time limit for renewal of Tax-Exempt Certificate** has been extended from 6 months from the end of the FY to **1 Year**. (Rule 5A of IT Rules)

Income Tax – Other Provisions (2/2)

Advance Income Tax:

Particulars	Tax Rate	
	F. Y. 2077-78 (2020-2021)	F. Y. 2076-77 (2019-2020)
• Up to mid of January (Poush end)	40%	40%
• Up to mid of April (Chaitra end)	70%	70%
• Up to mid of July (Ashad end)	100%	100%

“Income Tax on current year’s Income” shall be paid in three installments.

- Where an installment of tax paid by a person is less than 90% of tax payable, the person shall be liable to pay an interest @ 15% p.a. for each month & part of month from the date of first installment on the amount to the excess of 90% of the installment that would have been paid over the installment paid.
- The presumptive tax-payers need not require paying any advance tax as above. If the tax amount is less than Rs 7,500 no installment is required to be paid.
- Penalty of Rs. 5000 or 0.01% of the assessable income whichever is higher, shall be imposed for non submission of estimated tax return.

Advance Ruling:

The practice of advance ruling is available to facilitate Income Tax assessment on the matters, which are not clarified in Income Tax Act and an application shall be made to the Director General of Inland Revenue Department.

Administrative Review (Appeal at DG):

Provision has been made to file an application in the department for the administrative review in the cases related to income tax and value added tax. Cash deposit of 1/4th of disputed tax and 100% of undisputed tax payable is required. Arrangement has been made to decide upon the application within 60 days and notify the taxpayer.

Appeal to Revenue Tribunal:

While making an appeal to the Revenue Tribunal, entire of the undisputed amount of tax has to be paid, and a deposit equivalent to 50% of the disputed amount of tax and fine or a bank guarantee has to be furnished.

Additionally, the deposit or bank guarantee payable to the Revenue Tribunal shall include the 25% deposit or bank guarantee paid to the IRD at the time of Administrative Review.

KlientScape

Disclaimer: This note is prepared solely for the purpose of information and shall not be, in any way, treated as a legal opinion. It is advised to consult a lawyer for legal advice. Please note that the copyright for this note vests on Vidhi Legal Concern.