

# VAT Amendments 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

# VAT – Significant Provisions (1/3)

## Significant Provisions of Value Added Tax:

### ❑ VAT Rate & Payment:

- The rate under VAT Act remain unchanged at 13%.
- VAT payment above Rs. 10 lacs should be made compulsorily through cheque, draft or electronically.

### ❑ Vat Registration

#### ➤ Turnover Threshold:

- For Goods : NPR 50 Lacs
- For Services : NPR 20 Lacs
- For Both : NPR 20 Lacs

#### ➤ Import Threshold:

- Imports above NPR 10K (Except self-consumption)

### ❑ Jurisdiction:

- Any supply of goods or services within the territory of Nepal:

Particulars	Collection By:
• Supply of goods/services within Nepal	IRD
• Export Supply of goods/services	Custom Office
• Import Supply of goods/services	Custom Office

### ❑ Place of Supply:

Particulars	Place of Supply
• Movable Goods	Where such goods are <b>SOLD</b>
• Immovable Goods	Where such goods are <b>LOCATED</b>
• Imported or Exported Goods	Custom Point
• Self-consumption	Where the producer/vendor <b>RESIDES</b>
• Service	Where the benefit is <b>RECEIVED</b>

### ❑ Time of Supply:

Goods – Earliest of	Services – Earliest of
• Date of Invoice	• Date of Invoice
• Date of Possession/Removal	• Date of Rendering of Services
• Date of Payment (Except Advances)	• Date of Payment (Except Advances)

### ❑ Reverse Charge:

Section	Prevailing Provision
• Section 8 (2)	• Import of Service
• Section 8 (3)	• Commercial Construction > NPR 50 Lacs (Transactions with an Unregistered Person)

# VAT – Significant Provisions (2/3)

## Significant Provisions of Value Added Tax:

### ❑ Accounts & Records:

- Any registered or unregistered person with transaction of taxable goods or services shall keep purchase book and sales book for every financial year verified by himself/herself. Tax Officer may inspect such book at any time.
- Such records shall be kept for at least **6 Years**.

### ❑ Due Date for submission of VAT Return & Amount:

- A registered person is required to submit the return along with the amount within 25<sup>th</sup> of the subsequent month after the completion of tax period.

Offence	Amount
• VAT Return (Defaulted)	Penalty: Higher of – <ul style="list-style-type: none"> <li>▪ 0.05% per day of applicable VAT or</li> <li>▪ NPR 1,000</li> </ul>
• VAT Amount (Defaulted)	Penalty: <ul style="list-style-type: none"> <li>▪ 10% per annum</li> </ul>
	Interest: <ul style="list-style-type: none"> <li>▪ 15% per annum</li> </ul>

### ❑ Schedule 1 of VAT Act [Non-VAT]

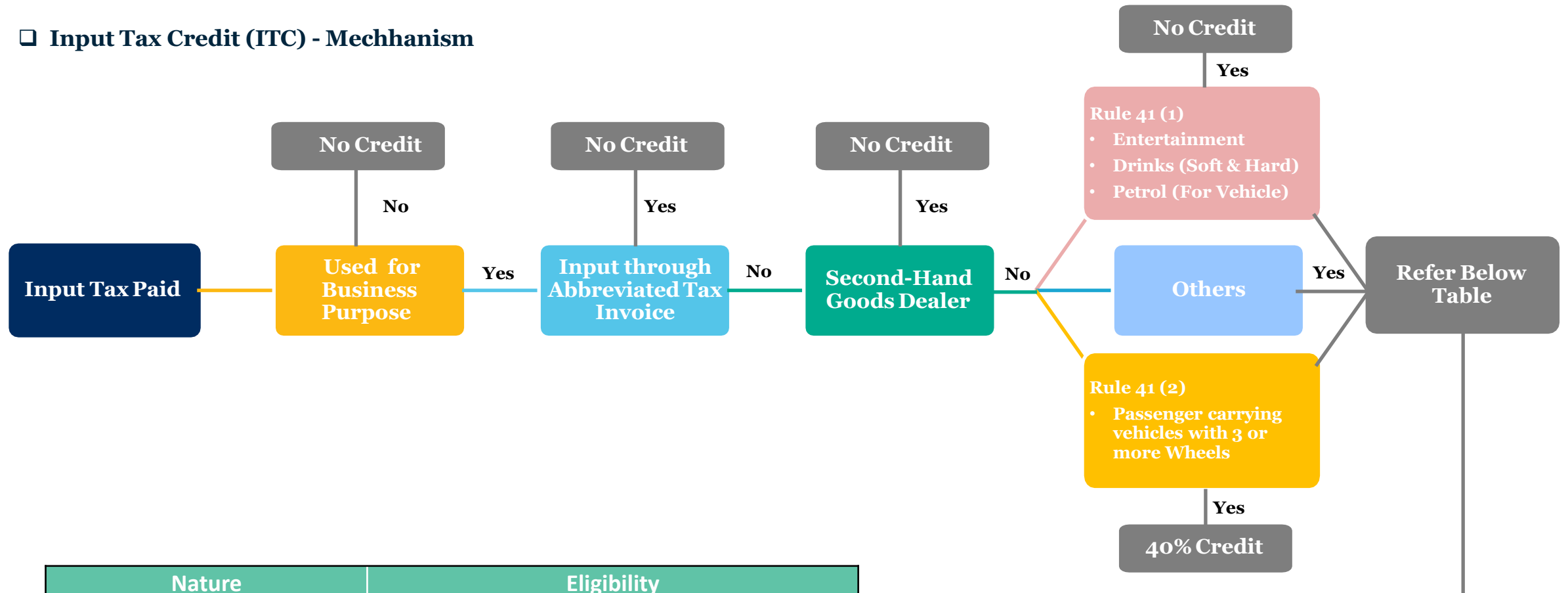
Group	Items
• Group 1	Basic Agricultural Products
• Group 2	Basic Need Items
• Group 3	Living Animals & Remains
• Group 4	Agricultural Inputs
• Group 5	Medical Items, Health & Similar Services
• Group 6	Basic Educational Needs
• Group 7	Books, Magazines & Printing Materials
• Group 8	Artistic & Sculpturing Devices
• Group 9	Passenger Transport & Services
• Group 10	Artists/Sportsman/Writer/Designer/Translator/Manpower
• Group 11	Others
• Group 12	Sale of Land & Building / Rent from Building
• Group 13	Betting, Casino & Lottery

### ❑ Schedule 2 of VAT Act [Exempt-VAT]

- Various Provisions as prescribed in the Act.

# VAT – Significant Provisions (3/3)

## Input Tax Credit (ITC) - Mechanism



Nature	Eligibility
• Attributable to Schedule 1	Not Eligible
• Attributable to Schedule 2	100% Eligible
• Others	Eligible ITC = ITC x (Taxable Output/Total Output)

# Value Added Tax – Amendments (1/6)

Section	Sub Heading	FY 78-79 (Amended Provision)	FY 77-78 (Prevailing Provision)
Section 10 (2)	<p>Mandatory Registration under VAT</p> <p>(Removed for Specified Services)</p>	<p>(2) If any goods or services transacted by a person is declared taxable such a person shall file an application for registration, in the prescribed format to the Tax Officer, within thirty days from the date of imposition of such tax or the date of commencement of such transaction.</p>	<p>(2) If any goods or services transacted by a person is declared taxable <del>or if any person operates following transaction</del>, such a person shall file an application for registration, in the prescribed format to the Tax Officer, within thirty days from the date of imposition of such tax or the date of commencement of such transaction:</p> <p><del>(a) Transaction upon production of brick, business from operation of industry relating to liquor, wine, health club, discotheque, massage therapy, motor parts, electronic software, custom agent, toy business, trekking, rafting, ultralight flight, paragliding, tourist transportation, crusher, sand mine, slate and stone.</del></p> <p><b>(b) If any person operates hardware, sanitary, furniture, fixture, furnishing, automobiles, electronics, marble, educational consultancy, account and audit related services, catering services, party palace business, parking services, dry cleaning using machinery equipment, restaurant with bar, ice cream industry, color lab, boutique, delivery of uniform for educational institutes or health institutes or other entity metropolitan, sub-metropolitan or within an area specified by the Department.</b></p>
Section 10 C	Special provision relating to updation of registered record	Person registered under this Act shall update such information and records regarding registration as prescribed by the Department in the biometric registration system of the Department.	Person registered under this Act shall update such information and records regarding registration as prescribed by the Department in the biometric registration system of the Department <del>within the prescribed time.</del>

# Value Added Tax – Amendments (2/6)

Section	Sub Heading	FY 78-79 (Amended Provision)	FY 77-78 (Prevailing Provision)
Section 16 (3)	Approval of VAT Registers	<b>Any registered or unregistered person with transaction of taxable goods or services shall keep purchase book and sales book for every financial year verified by himself/herself. Tax Officer may inspect such book at any time.</b>	<del>A registered person shall use, for the purpose of keeping accounts, the purchase book and sales book which shall be certified by the concerned Tax Officer.</del>
Section 16 (3A)		<del>-Deleted-</del>	<del>An unregistered person with transaction of taxable goods or services shall keep purchase book and sales book for every financial year verified by himself/herself. Tax Officer may inspect such book at any time.</del>
Section 16B	Deduction of tax paid on goods in the event of loss	In the event of loss and damage of goods due to arson, theft, accident, wear & tear, disruptive activity <b>or due to expiry of such goods</b> , the value added tax paid on such goods may be deducted as prescribed.	In the event of loss and damage of goods due to arson, theft, accident, wear and tear or disruptive activity, value added tax paid on such goods may be deducted as prescribed.
Section 20 (4B)	Reassessment by Tax Officer	<b>Notwithstanding anything contained in Sub-section (4), if the VAT liability of the assessee has been reduced due to revision or assessment made by the Revenue Tribunal or equivalent court, the tax officer cannot amend the VAT liability to the extent of such reduction.</b>  However in case such tribunal or court issue an order to <b>investigate, then the tax officer may amend such reduced VAT liability.</b>	<del>-No such provision-</del>
Section 20 (1) (I)	Tax Recovery	<b>By publishing or broadcasting the defaulter's name in any media or in the IRD website.</b>	<del>-No such provision-</del>
Section 20 (1) (I)	Penalty for non-approval of VAT Registers by IRD	<del>-Deleted-</del>	<del>In the event of breach of Sub-section (3A) of Section 16, a fine of One Thousand Rupees for each breach.</del>

# Value Added Tax – Amendments (3/6)

Section	Sub Heading	FY 78-79 (Amended Provision)	FY 77-78 (Prevailing Provision)
Section 32B (2)	Publication of Circular	The circulars issued pursuant to Sub-section (1) may be published on the website of the department or in the national newspaper <b>or other electronic medium</b> for the information to the public.	The circulars issued pursuant to Sub-section (1) may be published on the website of the Department or in the national newspapers for the information to the public.
Section 33 (2)	Security to be deposited	<b>(2) Pursuant to sub section (1), 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.</b>	<b>-No such provision-</b>

## Other Amendments:

### **Input VAT of Diesel/LP Gas:**

**Comment: VAT paid on purchase of diesel and LP gas for business purposes shall be eligible to be claimed as Input VAT Credit. Additionally, VAT paid on petrol used for any purpose other than for vehicle shall also be eligible to be claimed as Input VAT Credit.**

**Changes in Schedule 1 of VAT Act:** The changes in the Schedule 1 have been provided in the next page.

**VAT Deduction by Government Companies for Contracts:** The govt. entities or wholly/partially owned govt. entities shall deduct amount and directly deposit the same with IRD in the favor of assessee on the supplies obtained by them under contracts/tenders. (Rule 6C of VAT Rules)

# Value Added Tax – Amendments (4/6)

Group	Sub Heading	FY 78-79 (Amended Provision)	FY 77-78 (Prevailing Provision)
<b>Schedule 1 of VAT Act</b>			
Group 5 Point No. 12	Medicine, Medical and Similar Health Services	<b>Import of raw materials by Ayurvedic Medicine Manufacturers on the recommendation of Department of Ayurveda and Alternative Medicine</b>	-No such provision-
Group 7 Point No. 2	Books, Newspapers and Printed Materials	<b>E-Library Service Fee</b>	-No such provision-
Group 9 Point No. 2	Passengers & Goods Transportation Services	Air Transport, Services provided by mechanical bridge, public transportation (except the cable car) and <b>Rental Service of Goods Carrier, Goods Carrier Service (Except transportation services related to supply)</b>	Air Transport, Services provided by mechanical bridge, public transportation (except the cable car) <del>and the cargo services for the purpose of export.</del>
Group 11 Point No. 4	Other - Goods or Services	Financial services, life insurance services, accidental insurance services, medical insurance services, reinsurance services, agricultural crops insurance, fruits insurance, bee insurance, livestock insurance, fowl insurance, fishery insurance, micro insurance, clearing house services, money transfer services, <b>money exchange, swift service, hire purchase business, deposit &amp; credit guarantee service,</b> capital market business, securities business, merchant banking business, commodity future market and securities and commodity agent business.	Financial services, life insurance services, accidental insurance services, medical insurance services, reinsurance services, agricultural crops insurance, fruits insurance, bee insurance, livestock insurance, fowl insurance, fishery insurance, micro insurance, clearing house services, money transfer services, capital market business, securities business, merchant banking business, commodity future market and securities and commodity agent business.
Group 11 Point No. 21		<b>Fee for issuing Certificate of Origin for Export purposes</b>	-No such provision-
Group 11 Point No. 22		<b>Trekking &amp; Tour Package Service</b>	-No such provision-



# Value Added Tax – Amendments (5/6)

## Revised Format of VAT Purchase Register: (Annex 8 of VAT Rules)

"अनुसूची-८

(नियम २३ को उपनियम (१) को खण्ड (छ) सँग सम्बन्धित)

खरिद खाता

करदाताको नाम: .....

करदाता दर्ता नं.

कर अवधि: महिना ..... साल .....

बीजक/प्रज्ञापनपत्र नं.						जम्मा खरिद मूल्य (रु.)	कर छुट हुने वस्तु वा सेवाको खरिद/पैठारी मूल्य (रु.)	करयोग्य खरिद (पूँजीगत बाहेक)		करयोग्य पैठारी (पूँजीगत बाहेक)		पूँजीगत करयोग्य खरिद/पैठारी कर	
मिति	बीजक/प्रज्ञापनपत्र नम्बर	आपूर्तिकर्ताको नाम	आपूर्तिकर्ताको स्थायी लेखा नम्बर	खरिद/पैठारी गरिएका वस्तु वा सेवाको विवरण	खरिद/पैठारी गरिएका वस्तुको परिमाण			मूल्य (रु.)	कर (रु.)	मूल्य (रु.)	कर (रु.)	मूल्य (रु.)	कर (रु.)

# Value Added Tax – Amendments (6/6)

## Revised Format of VAT Sales Register: (Annex 9 of VAT Rules)

अनुसूची-९

(नियम २३ को उपनियम (१) को खण्ड (ज) सँग सम्बन्धित)

बिक्री खाता

करदाताको नाम: .....

करदाता दर्ता नं.

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कर अवधि: महिना ..... साल .....

बीजक						जम्मा बिक्री/निकासी मूल्य (रु.)	स्थानीय कर छुटको बिक्री मूल्य (रु.)	करयोग्य बिक्री		निकासी			
मिति	बीजक नम्बर	खरिदकर्ताको नाम	खरिदकर्ताको स्थायी लेखा नम्बर	वस्तु वा सेवाको नाम	वस्तु वा सेवाको परिमाण			मूल्य (रु.)	कर (रु.)	निकासी गरेको वस्तु वा सेवाको मूल्य (रु.)	निकासी गरेको देश	निकासी प्रज्ञापनपत्र नम्बर	निकासी प्रज्ञापनपत्र मिति

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