

**NBSM & Associates**  
**Chartered Accountants**

**NBSM**

**NEPAL BUDGET 2070**  
**TAX PRESPECTIVE**



## Income Tax

### WAIVERS OF TAX, PENALTY & INTEREST

- Tax payers having annual transactions up to Rs. 20 lakhs or annual profit of Rs. 2 lakhs and who have not registered in VAT, if they submit the Income Tax Return for the FY 2067/68 and 2068/69 within the end of Ashwin 2070 then they are not required to submit the Income Tax Returns of earlier years. And provision for waiving income tax, penalty and interest on the income of such years has been made
- Tax payers like Doctor, Artist, Engineer, Lawyer, Auditor, etc who have not paid tax and submitted returns for the FY 2068/69 and earlier. If they obtain the PAN, pay tax and submit the Income Tax Return for the FY 2067/68 and 2068/69 within the end of Poush 2070 then they are not required to submit the Income Tax Returns of earlier years. And provision for waiving income tax, penalty and interest on the income of such years has been made.
- Tax payers being Journalists and Media Houses who have not paid tax and submitted returns for the FY 2068/69 and earlier. If they obtain the PAN, pay tax and submit the Income Tax Return for the FY 2068/69 within the end of Poush 2070 then they are not required to submit the Income Tax Returns of earlier years. And provision for waiving income tax, penalty and interest on the income of such years has been made.
- Tax payers being Cooperatives other than tax exempted Cooperatives, if they get their books of accounts audited for the FY 2067/68 and 2068/69 and pay tax, submit the Income Tax Return for the FY 2068/69 within the end of Poush 2070 then they are not required to submit the Income Tax Returns of earlier years. And provision for waiving income tax, penalty and interest on the income of such years has been made.
- Tax payers being Cooperatives other than tax exempted Cooperatives, if they get their books of accounts audited for the FY 2067/68 and 2068/69 and pay TDS, House Rent Tax and Advance Tax within the end of Poush 2070 then provision for waiving penalty and interest on such liabilities has been made.

### TAX RATES

#### PERSONAL TAX

##### A. For Resident Person

Particulars	FY 2069/70		FY 2070/71	
	Rs.	Tax Rate	Rs.	Tax Rate
<b>Assessed as Individual</b>				
First Tax slab	160,000	1%	200,000	1%
Next	100,000	15%	100,000	15%
Balance Exceeding	260,000	25%	300,000	25%
<b>Assessed as Couple</b>				
First Tax Slab	200,000	1%	250,000	1%
Next	100,000	15%	100,000	15%
Balance Exceeding	300,000	25%	350,000	25%
<u>In case the Taxable Salary of an Individual is more than Rs. 25 Lakhs, additional tax at the rate of 40 percent shall be levied on the tax calculated above Rs. 300000 or 350000 as the case may be.</u>				

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**Notes:**

1. Natural person working at remote areas are entitled to get deduction from taxable income to a maximum of Rs. 50000.
2. Natural person with pension income included in the taxable income shall be entitled to deduct from taxable income an additional 25% of amount prescribed under first tax slab.
3. Incapacitated natural person shall be entitled to get deduction from taxable income an additional 50% of amount prescribed under first tax slab.
4. A natural person who has procured life insurance and paid premium amount thereon shall be entitled to a deduction of actual annual insurance premium or Rs. 20000 whichever is less from gross taxable income.
5. In case of the employee employed at the foreign diplomatic of Nepal only 25% of the foreign allowances are to be included in the income from salary.
6. In case of the employee posted outside Nepal is getting foreign allowance will get 75% rebate of such allowance.
7. In case of the female employee whose taxable income is only from employment than 10% rebate is allowed on tax liability.
8. In case of individual having income from export, tax rate of 15% is applicable in place of 25%.

**B. For Non-Resident Person**

S. N.	Nature of transaction	FY 2069/70	FY 2070/71
1.	Income earned from normal transactions.	25% flat rate	25% flat rate
a.	Income earned from providing shipping, air transport or telecommunication services, postage, satellite, optical fiber project.	5%	5%
b.	Income earned providing shipping, air transport of telecommunication services through the territory of Nepal.	2%	2%
c.	Repatriation by Foreign Permanent Establishment.	5%	5%

**CORPORATE TAX**

S. N.	Nature of entity	FY 2069/70	FY 2070/71
<b>1</b>	<b>Company/Firm /Industry</b>		
1.1	<b>Domestic income</b>		
	Normal Rate (NR)	25%	25%
1.2	<b>Other</b>		
I.	Special industries (mainly manufacturing other than alcoholic & tobacco producing industry)	20% (Normal Rate)	20% (Normal Rate)
II.	Providing direct employment to Nepalese citizens:	90%Normal Rate	90%Normal Rate
	a. For 300 or more by special industries and information		

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	technology industries. b. For 1200 or more by Special industries. c. To 100 Nepalese including 33% women, dalit & disabled by Special industries.	80% Normal Rate  80% Normal Rate	80% Normal Rate  80% Normal Rate
III.	Industries establishment in very undeveloped areas (sec 11.3.b) as defined in Industrial Enterprise Act.	10% of the normal rate (for 10yrs from the year of establishment)	10% of the normal rate (for 10yrs from the year of establishment)
IV.	Industries establishment in undeveloped areas (sec 11.3.b) as defined in Industrial Enterprise Act	20% of the normal rate (for 10yrs from the year of establishment)	20% of the normal rate (for 10yrs from the year of establishment)
V.	Established in underdeveloped areas (Sec 11.3.b). as defined in Industrial Enterprise Act	30% of the normal rate (for 10yrs from the year of establishment)	30% of the normal rate (for 10yrs from the year of establishment)
VI.	Industry established in 'Special Economic Zone' recognized in mountain areas or hill areas by the GON	Up to 10 years 100% exempt and 50% rebate in subsequent years	Up to 10 years 100% exempt and 50% rebate in subsequent years
VII.	Industry established in 'Special Economic Zone' other than above locations	100% exempt up to first five years and 50% rebate in subsequent years	100% exempt up to first five years and 50% rebate in subsequent years
VIII.	Dividend distributed by the industry established in the special economic zone	Dividend Tax is 100% exempt up to first five years and 50% rebate in subsequent 3 years	Dividend Tax is 100% exempt up to first five years and 50% rebate in subsequent 3 years
IX.	Income derived by the foreign investors from investment in 'Special Economic Zone' (source of income use of foreign technology, management service fee and royalty)	50% of applicable tax rate	50% of applicable tax rate
X.	Import income of information technology industries as IT Park as declared by government.	50% of normal tax rates	50% of normal tax rates
XI.	Institution having licensed to generate, transmit, and distribute electricity shall be allowed if the commercial activities started in terms of electricity generation, generation and transmission, generation and distribution or generation, transmission distribution before B.S 2075 Chaitra and these exemption shall also be available for solar, wind and other alternative energy companies.	100% exempt up to seven years and 50% rebate on subsequent 3 years	100% exempt up to seven years and 50% rebate on subsequent 3 years.
XII.	Income from export of goods produced by manufacturing industries	75% of normal rate	75% of normal rate
XIII.	Income from construction and operation of road, Bridge, Airport and tunnel or income investment in tram and trolley bus	60% of applicable tax rate (i.e. 20%)	60% of applicable tax rate (i.e. 20%)
XIV.	Income manufacturing industry, tourism service industry hydropower generation, distribution and transmission industry listed in the security exchange (i.e. capital market)	90% of applicable tax rate	90% of applicable tax rate

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XV.	Industry established in least developed area producing brandy, wine, side from fruits	60% of applicable tax rate up to 10 years	60% of applicable tax rate up to 10 years
XVI.	Royalty from export of intellectual asset by a person	75% of applicable tax rate	75% of applicable tax rate
XVII.	Income from sale by intellectual asset by a person through transfer	50% of applicable tax rate	50% of applicable tax rate
1.3	<b>Bank and Financial Institution</b>		
	Commercial banks, Development Banks and Finance companies	30%	30%
1.4	<b>Insurance business</b>		
	General insurance business	30%	30%
1.5	<b>Petroleum Industries</b>		
	Entity engaged in Petroleum business under Nepal Petroleum Act , 2010	30%	30%
	Institution having licensed to exploration for petroleum or natural gas become commercial before B.S 2075 Chaitra	100% exempted up to seven years and 50% rebate on subsequent 3 years	100%exempted up to seven years and 50% rebate on subsequent 3 years
1.6	<b>Other Business Entities</b>		
	<ul style="list-style-type: none"> <li>- Entity involves in construction of roads, bridges, tunnels, Rope-ways, suspension bridges etc.</li> <li>- Income earned by the natural person wholly involved in special industry</li> <li>- Income earned by the resident person relating to export activities</li> </ul>	20%	20%
1.7	Saving and Credit Co-Operatives established in rural areas under Co-Operatives Act, 2048.	Nil	Nil
1.8	Saving and Credit Co-Operatives established in Metropolitan City, Sub-Metropolitan City and areas attached with above metropolitan city and sub-metropolitan city under Co-Operative Act, 2048.	20%	20%

## TDS WITHHOLDING IN OTHER PAYMENTS

S. N.	Nature of transaction	FY 2069/70	FY 2070/71
A.	Interest income from deposit up to Rs 10000 under 'Micro Finance Program', 'Rural Development Bank', 'Postal Saving Bank' & Co-Operative (u/s-11(2) in rural areas)	Exempt from tax	Exempt from tax
B.	Wind fall gains	25%	25%
	Wind fall gains from Literature, Arts, Culture, Sports, Journalism, Science & Technology and Public Administration amount received upto 5 lacs	25%	Nil
C.	Payment of rent by resident person having source in	10%	10%

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	Nepal		
D.	Profit and Gain from Transaction of commodity future market	10%	10%
E.	Profit and Gain from Disposal of Shares: <b><u>In case of Individual</u></b>		
	- Listed Shares	5%	5%
	- Non Listed Shares	10%	10%
	<b><u>Others</u></b>		
	- Listed Shares	10%	10%
	- Non Listed Shares	15%	15%
F.	On dividend paid by the resident entity. - To Resident Person - To Non Resident Person	5% for both	5% for both
G.	On payment of gain in investment insurance	5%	5%
H.	On payment of gain from unapproved retirement fund	5%	5%
I.	On payment of interest or similar type having source in Nepal to natural person [ not involved in any business activity ] by Resident Bank, financial institutions or debenture issuing entity, or listed company	5%	5%
J.	Payment made by natural person relating to business or other payments relating to house rental except house rent	No TDS	No TDS
K.	Payment for articles published in newspaper, question setting, answer evaluation	No TDS	No TDS
L.	Interest payment to Resident bank, other financial institutions	No TDS	No TDS
M.	Interregional interchange fee paid to credit card issuing bank	No TDS	No TDS
N.	Interest or fees paid by Government of Nepal under bilateral agreement	No TDS	No TDS
O.	On payment of general insurance premium to resident insurance company	No TDS	No TDS
P.	On payment of premium to non-resident insurance company	1.5%	1.5%
Q.	Contract payment exceeding Rs 50000	1.5%	1.5%
R.	Interest & Dividend paid to Mutual Fund	Newly Introduced	No TDS
S.	Payment of consultancy fee:		
	- to resident person against VAT invoice	1.5%	1.5%
	- to resident person against non VAT invoice	15%	15%
T.	Payment on contract to Non Resident Person		
	- On service contract	15%	15%
	- On repair of aircraft & other contract	5%	5%
	- In cases other than above as directed by IRD.		
U.	Gain on disposal of Interest in any resident entity (both listed or unlisted) exchange (Taxable amount is gain calculated under section 37)		
	- To resident natural person	10%	10%
	- To others including non resident	15%	15%
V.	TDS deducted on payment of dividend made by Mutual fund to natural Person is final withholding Tax.	Newly Introduced	5%

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## INCOME FROM INVESTMENT

S. N	Particulars	FY 2069/70	FY 2070/71
<b>1.</b>	<b>Individual</b>		
	Tax withholding on capital gain for natural person on transaction exceeding Rs 3 million (to be made by land revenue office at the time of registration)		
	– disposal of land or land & building owned for more than 5 years up to 10 years	2.5%	2.5%
	– disposal of land or land & building owned for less than 5 years	5%	5%
<b>2.</b>	<b>Corporate</b>		
	Income from disposal of non business chargeable assets (Capital Gain)	Normal Rate	Normal Rate

## Value Added Tax

- No changes in the existing rate of 13 percent for the fiscal year 2070/71.
- Tax payers who have registered in VAT but who have not submitted VAT returns for the FY 2068/69 and earlier years. If they submit the pending VAT returns within the end of Poush 2070 then they are not required to pay the penalty and interest on such liabilities.
- VAT exemption on Kerosene, Egg Crate, Bandage has been proposed.
- VAT exemption on required raw material and auxiliary material for production of Intra Ocular lens has been proposed.
- VAT Exemption on service provided by Clearing House has been proposed.
- VAT exemption on deep cycle lead acid battery used in tempo has been proposed.
- VAT exemption on Solar lead DC Lights and Solar heat energy equipments & spare parts under sub heading 2905.32, 7410.21, 7606.19, 8403.10, 8403.90, 8412.80, 8413.81, 8419.19, 8419.31, 8516.60, 8543.89 has been proposed.
- 50% tax refund has been proposed for VAT collected by Domestic Dairy Industries.

## Excise Duty

The Budget 2070 has proposed higher Excise Duties on Tobacco and Liquor Items. The rates being applicable are prescribed below:

Materials	Unit	Prevailing rate for 2069 (Rs.)	Proposed rate for 2070 (Rs)
KHUDO	Per Kg	40	45
SHAKHAR	Per Kg	72	80
Beer	Per Ltr	80	88
Other cold drinks less than 12 % alcohol	Per Ltr	189	210
Wine 12 % alcohol	Per Ltr	189	210
Fine 12-17% alcohol	Per Ltr	189	220
Wine more than 17 %	Per Ltr	214	240

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SIDER MAFE From Apple Juice	Per Ltr	0	55
Raw material of wine and brandy	Per Ltr	108	115
Raw materials of whisky, rum & TAFIA, GIN & GENEVA, Vodka, liquors and other alcohol including spirit	Per Kg	108	115
Rectified spirit and ENA		44	50
	Per Ltr	439	497
Brandy and wine, whisky, Rum and TAFIAI, GIN & GENEVA, vodka, liquors & cordials 25 UP strength	Per LP Ltr	587	663
Brandy and wine, whisky, Rum TAFIAI, GIN & GENEVA, vodka, liquors & cordials 30 UP strength	Per Ltr	411	464
	per LP ltr	587	663
Any other alcoholic drinks of 15 UP strength	Per Ltr	590	667
	Per LP Ltr	695	785
Any other alcoholic drinks of 25 UP strength	Per Ltr	439	497
	Per LP Ltr	587	663
Any other alcoholic drinks of 30 UP strength	Per Ltr	411	464
	per LP ltr	587	663
Any other alcoholic drinks of 40 UP strength	Per Ltr	208	235
	per LP ltr	347	392
Any other alcoholic drinks of 50 UP strength	Per Ltr	73	84
	per LP ltr	146	168
Any other alcoholic drinks of 70 UP strength	Per Ltr	18	20
	per LP ltr	60	67
Nicotine , Pan Masala and Gutkha	Per Gram	0	275
All type of Cigar	Per Khilli	7	9
Cigarette 70 mm with filter	Per Yem	533	597
Cigarette 70 mm without filter	Per Yem	252	272
Cigarette 70-75 mm with filter	Per Yem	681	763
Cigarette 75-85 mm with filter	Per Yem	872	977
Cigarette above 85 mm with filter	Per Yem	1135	1306

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