

# NEPAL BUDGET FY 2078-2079

Highlights from Tax Perspectives



# 1.

## **Objectives of Budget**

With respect to Taxes & Revenue

## Objectives of Budget

3

- » Tax Discount and concessions to COVID affected industries.
- » Protection of domestic industry and simplification of business
- » Increase in scope of Tax and control over tax evasion.
- » Progressive, Healthy transparent and automated revenue process
- » Infrastructural development and use of Information technology.

# 2.

## **Budget Summary**

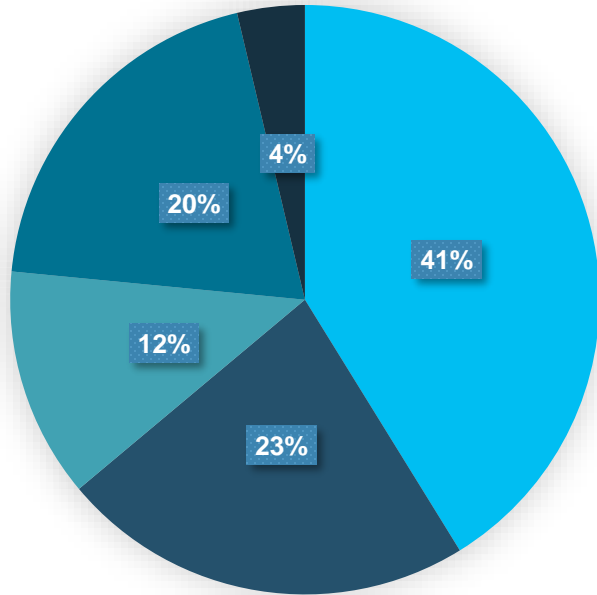
Budget Allocation and Sources

**1,647,570,000,000**

That's a big number, aren't you excited?

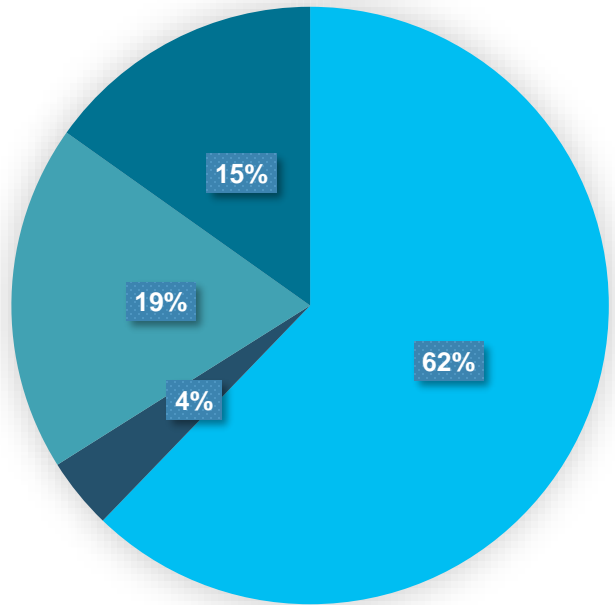
## Budget Allocation

6



- Operating Expenditure : Rs. 678.61 Arba
- Capital Expenditure: Rs. 374.26 Arba
- Expenses on Financial Management: Rs. 207.97 Arba
- Province & Local Government-Operating Expenditure: Rs. 325.74 Arba
- Province & Local Government-Capital Expenditure: Rs. 60.97 Arba

## Budget Sources



- Revenue Collection: Rs. 1024.9 Arba
- Foreign Donation : Rs. 63.37 Arba
- Foreign Loan: Rs. 309.29 Arba
- Domestic Loan: Rs. 250 Arba

# 3.

## **Tax Reliefs**

For FY 2077-2078



## Tax Relief for FY 2077-2078

9

- » Income Less than 20 Lakhs u/s 4(4): **90% Tax Rebate**
- » Income more than 20 Lakhs and less than 50 Lakhs u/s 4(4a):  
**75% Tax Rebate**
- » Income more than 50 lakhs and less than 1 Crore: **50% Tax Rebate**

# 4.

## **COVID Affected Businesses**

Tax Reliefs

## Relief for COVID Affected Businesses

11

### Hotel, Travel, Transportation, Airlines, Cinema & Film making

- » Tax Rate for **FY 2077-2078**: 1% of Taxable Profit
- » Carry forward of loss: 10 years for the **losses related to FY 2076-2077 and FY 2077-2078**

### Hotel and Tourism, Public transportation, Cinema, Airlines, Handicrafts, Advertising, Tailoring, Beauty Parlors, Health Clubs:

- » Registration and renewal fees for **FY 2078-2079** waived off

# 5.

## **Start Ups**

Promotion and Encouragement

## Relief and Promotion of Start Ups

13

- » Turnover up to **1 crore**: **Tax Exempt for 5 years** from the year of operation
- » Contribution made by any person to startup as **seed investment** to the extent of **Rs 1 Lakh** for up to **5 startups**: **Deductible form Income**
- » Loan for Startups: up to **25 Lakhs** at the rate of **1%** against the **collateral of project**

# 6.

## **Value Added Tax (VAT)**

Improvements

## Improvement in VAT Laws

15

- » **Diesel and LPG** used in Vatable business: **Input VAT Credit** available
  
- » **VAT Exempt Businesses:**
  - Freight and transportation Services
  - Cargo Services
  - E-Library Services
  - Trekking and Tour Packages

# 7.

## **VAT, Excise Duty & Import Duty**

Exemptions & Benefits



## Exemption and Benefits from VAT, Excise Duty or Import Duty

17

### » **VAT, Import Duty and Excise Duty: Exempt (up to Poush Masanta 2078)**

- Oxygen Gas
- Liquid Oxygen
- Oxygen Cylinder
- Oxygen Concentrator or
- Any survivor equipment or medicines

### » **Excise Duty: Exempt - Import Duty: Reduced**

- Electrical Vehicle
- Refrigerator
- Grinder
- Rice Cooker
- Fan
- Other electronic appliances

## Exemption and Benefits from VAT, Excise Duty or Import Duty

18

- » **Import Duty: Exempt**
  - Equipment or spare parts used in : Tea, Jute, Cinema, Pashmina, Hatchery, Agricultural or Nursery Industries
- » **Import Duty: Reduced**
  - Import of Container by Shipping Company registered in Nepal
- » Induction Cooktops: **Import Duty** reduced to **1%**
- » Baby milk products: **Import Duty** reduced by **50%**
- » Liquors, Cigarette, tobacco products and Carbonated Soft Drinks: **Increase in Excise Duty**

# 8.

## **Income Tax Act**

Broadening of Scope

## Broadening of Scope of Income Tax Act

20

### » Presumptive tax u/s 4(4): D-01 Tax return

Turnover: **Up to 30 Lakhs** *(Previously 20 Lakhs)*

Income: **Up to 3 Lakhs** *(Previously 2 Lakhs)*

### » Tax based on turnover u/s 4(4A): D-02 Tax Return

Turnover: **Above 30 Lakhs to 1 Crore** *(Previously 20 Lakhs to 50 Lakhs)*

Income: **Up to 10 Lakhs**

#### - Tax Rates:

For Turnover 30 Lakhs to 50 Lakhs: 1%

For Turnover above 50 Lakhs to 1 Crore: 0.8%

Service Sector: 2%



**IMPORTANT**

*Compulsory for everyone even if registered under VAT, except in the case of service sector with respect to D-02*

## Broadening of Scope of Income Tax Act

21

### » TDS @5%

- Payment to foreign colleges or university as registration fees, exam fees or tuition fees
- Payment made to Life Insurance company by Domestic BFIs as interest on deposit

### » Sale of **listed shares** by **Resident Individual Person**

- Short Term Capital Gain (held less than 365 days) :7.5%
- Long Term Capital Gain (held more than 365 days) :5%

### » Any person providing **offshore online services** and **receive payment in foreign currency:** **TDS @1%** (By any agency making such transfer to such person)

# 9.

## **Exemptions & Rebates**

Income Tax Act, 2058

## Exemptions & Rebates Income Tax Act

23

### » **Income Tax: Exempt**

- Income form **Mutual Funds**
- Surplus by Non profitable organization in **partnership** with Nepal government or any government organization engaged in **providing educational services**

### » **No TDS**

- Payment of Interest on loan by **Banks to International Financial Institution**
- Payment of interest on loans **among co-operative banks or organization**

## Exemptions & Rebates Income Tax Act

24

- » Income from **Agricultural Business: 50% Concession** in tax rate
- » Income form **domestic production and sales of raw material and auxiliary raw materials** to specialized Industry: **20% Rebate** on income tax
- » Income form **export** by specialized industries: Tax Rate **10%** (*Earlier 15%*)
- » **Additional 25% exemption** on calculation of taxable income from pension income.



## Exemptions & Rebates Income Tax Act

25

- » **50% Tax Rebate for first 3 years, 25% for next 2 years from the year of production**
  - Industries using **recyclable Hazardous waste** as raw materials
  - Any Industry **established or relocated inside Industrial area**
  
- » **100% Tax Exempt for 3 years and 50% for next 2 years from the year of operation**
  - Any industry currently operating in Kathmandu Valley **relocated outside Kathmandu**

# 10.

## **Allowable Deductions**

Income Tax Act, 2058

## Expenses allowed as deduction against Taxable Income

27

- » Payment made by transport agencies to any individual vehicle owner even without invoice, if TDS is deducted as per the Income Tax Act. ***(Only for FY 2076-2077)***
- » **Deduction allowed in FY 2077-2078**
  - Contribution made **in FY 2077-2078**, to government fund established for the control and treatment of COVID-19 infections
  - Amount is paid **in FY 2077-2078** as CSR for establishment of specialized hospital as specified by MoHP or expenses on equipment or medical tools used for treatment of COVID-19
- » **Insurance premium** paid for **insurance of private house** upto **Rs.5000** allowed as deduction for resident individual.

# 11.

## **Tax Administrations & Procedures**

Improvements

## Improvement on Tax administration and procedures

29

- » **Electronic Tax Clearance:** For all the taxpayers with no outstanding tax and have settled all the self assessed taxes.
- » **Eventually, all the VAT Registered entities** will be brought under the scope of **electronic billing.**
- » Verification of Sales & Purchase Register from Tax officer: **Not Required**
- » **Renewal of EXIM Code:** For a **period of 5 years at once**
- » **Bank Guarantee** can be used **instead of depositing tax amount** in case of technical review at IRD or Appeal at the Tribunal

# 12.

## **Social Security Fund**

Benefits & Reliefs

## Benefits & Reliefs on Social Security Fund

31

- » **Transfer** of amount from **approved retirement fund to SSF** by any person registered or intended to register under SSF **by Chaitra Masanta 2078: No TDS** on such withdrawal of funds from Retirement fund.
- » SSF Contribution for **Jestha-78** and **Ashad-78: Borne by government**

# 13.

## **Waiver**

Income Tax Act, 2058



## Waiver Interests, Fines & Penalties

33

- » If a company or firm, **not filing annual returns and nonrenewal till FY 75-76, files annual returns and pay 10% of total fines & Penalties** by **Ashwin Masanta 2078** and balance **90% of fines and penalties** will be **waived off**.
- » If any **case is pending** against the **tax assessment** under Income Tax Act, 2058, Value Added Tax Act, 2052 or Excise duty Act, 2058 **up to Ashad Masanta 2077** with the **Revenue tribunal or Court, except the case of forged or fake invoices**, concerned assessee can **pay the tax amount in full** and **50% of the interest** by **Mangsir Masanta 2078** and rest of the Interest, fines and penalties will be **waived off**.
- » Any **outstanding tax** related up to **assessment up to the Financial year ending 2076** and **interest thereon** under Income Tax Act, 2058, Value Added Tax Act, 2052 or Excise duty Act, 2058: if paid by **Poush Masanta 2078**, additional fines, penalties and any other charges will be **waived off**.

## Waiver Interests, Fines & Penalties

34

- » Any assessment of tax under VAT Act or Income Tax Act **upto 15 Jestha 2078** against **not-for-profit Cooperative hospital** and **companies providing online based transportation services**: Waive off all the outstanding amounts if applied for it till **Poush Masanta 2078**
- » **Trekking & Tour Agency**: If any of the vatable services related to trekking and tours packages are being rendered as non vatable services, **Self declaration** of such transaction **upto Jestha 14 2078** is done, and if **VAT** levied on such self declared services are **paid by Poush Masanta 2078**, additional interest, fines and penalties will be **waived off**
- » **Trekking & Tour Agency**: Any tax assessment by the IRD with respect to Non vatable services and amount outstanding thereon, if paid **by Poush Masanta 2078**, additional interest, fines and penalties will be **waived off**

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