

Nepal Budget Highlights 2074/75



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PREFACE

This document provides a brief sight on the budget of Nepal for FY 2074/75 with the major changes in the tax laws including Income Tax Act 2058, VAT Act 2052, Excise Act 2058 and Custom Act 2064. Details of the relevant legislation have not been included.

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A Quick Sight on Nepal Budget 2074-75 (2017-18)

Budget Summary

The annual budget functions as leverage for economic development by providing policy guidance and facilitating through investment to bring effectiveness in economic, social and governance system to the country. Budget for Fiscal Year 2074 as Presented on 29 May 2017 by Honorable Deputy Prime Minister and Finance Minister, Mr. Krishna Bahadur Maharahas been summarized below:

Objectives of this budget:-

- To support execution of the Constitution,
- To attain sustainable, inclusive and high economic growth,
- To maintain macroeconomic stability, and
- To enhance access of general public to the service provided by the state.

Priorities of the budget

- Execution of federalism,
- Reconstruction of infrastructures damaged by the earthquake,
- Increase employment opportunities,
- Increase in production and productivity,
- Speedy implementation of national pride projects,
- Agriculture modernization, commercialization and mechanization,
- Hydroelectric production, transmission and distribution,
- Construction and improvement of road, railway and international airport,
- Development and promotion of tourism infrastructure,
- Investment on education, health, drinking water and sanitation,
- Smooth operations and regulations of bank and financial institutions,
- Enhance supply, storage and distribution of necessary consumable goods, and
- Improvement of public administration and service delivery

Economic Forecast for FY 2074/75

- Economic growth rate: 7.2 percent
- Inflation rate : 7 percent
- Additional Self-employment opportunities: 100,000 and new employment opportunities: 400,000

Budget Allocation

Total Budget of NRs. 12,78,99,48,55,000/-

Budget Allocated to Local Level government: NRs. 2,25,05,45,91,000(17.6 percent of the total budget)

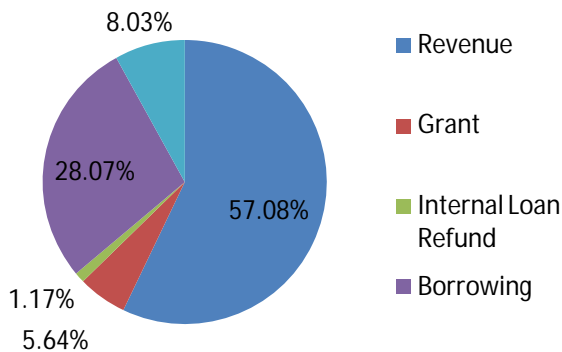
Budget Allocated to State Level government: NRs 7,14,35,00,000 (0.56 percent of the total budget)

Budget Source and Expenditure

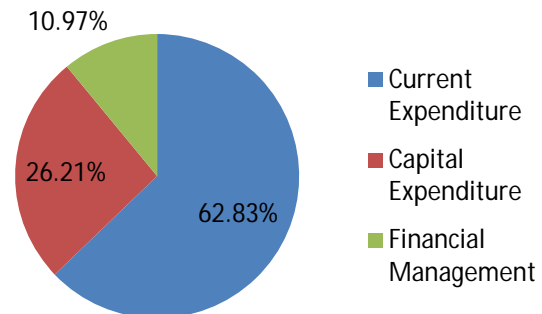
Rs in '000

Source	NRs.	%	Expenditure	NRs.	%
Revenue	730,055,570	57.08%	Current Expenditure	803,531,454	62.83%
Tax	666,204,558				
Non Tax Revenue	63,851,012				
Grant	72,167,628	5.64%	Capital Expenditure	335,175,970	26.21%
Internal Loan Refund	15,000,000	1.17%			
Borrowing	359,035,429	28.07%	Financial Management	140,287,431	10.97%
Domestic Borrowing	145,000,000				
External Borrowing	214,035,429				
Cash Balance	102,736,228	8.03%			
Total	1,278,994,855	100.00%		1,278,994,855	100.00%

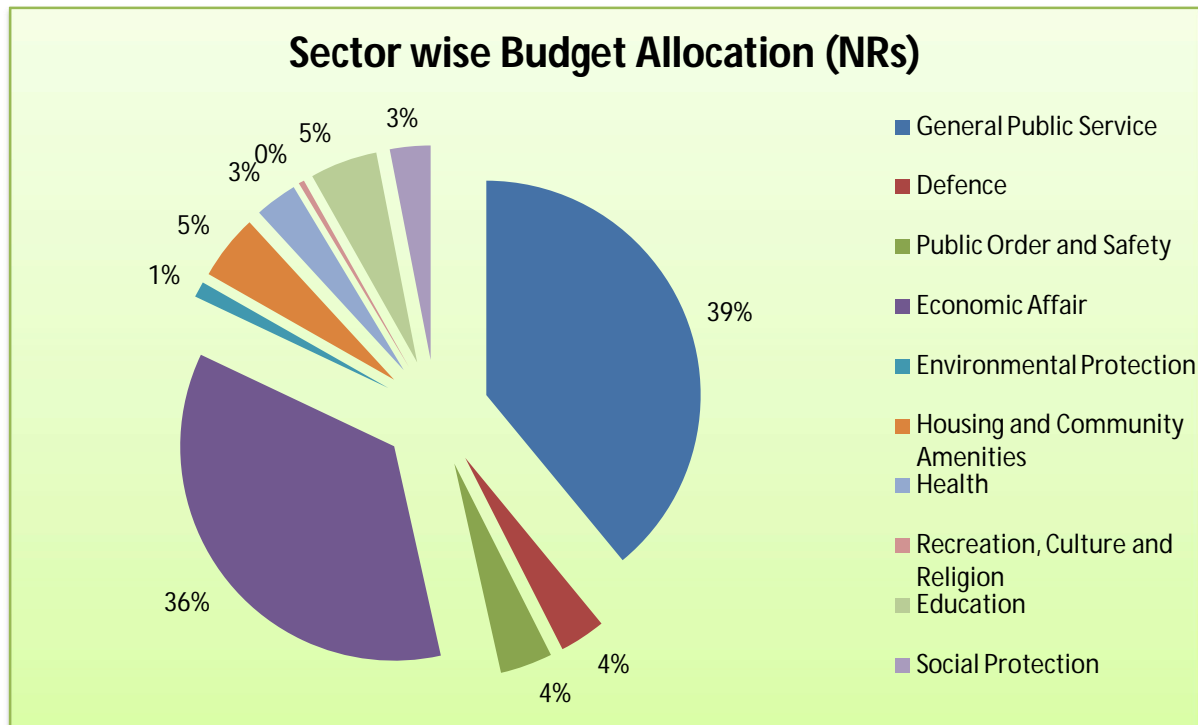
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Budget Allocation



Sector Wise Budget Allocation has been given below:



Policy and programs of revenue mobilization for Fiscal Year 2017/18

The main priority of the federal revenue policy will be to develop and modernize the revenue system for the development of strong federal fiscal system so as to make the national resources prosperous as envisioned by the Constitution of Nepal. In order to develop and broaden the tax base, additional reform will be made in the revenue system by bringing all kinds of economic activities into the tax net to ensure sustainable revenue mobilization. Following will be the objectives of the revenue policy;

- To make the revenue right and its distribution systematic among the Government of Nepal, State Government and at the Local Level in line with the Constitution of Nepal.
- To maximize resource mobilization by bringing all kinds of economic activities into the tax net based on cooperation, coordination and partnering among Federal, State and Local Level and to protect national tax base through revenue leakage control.
- To reform revenue system through achieving sustainable revenue growth so as to strengthen federal fiscal system.
- To support minimizing increased trade deficit through trade promotion by expanding national production and productivity.
- To make the revenue system equitable and investment friendly by adopting clean and transparent tax system.

- To make the existing non tax rates cost effective by identifying additional sources of non-tax revenue.

Policy and programs to achieve the objectives of revenue policy:

Federal Fiscal Strengthening,

- Federal revenue policy will be formulated for the development of prosperous economy by making federal fiscal structure strong and capable.
- To make the State and Local Level able to independently allocate certain portion of the financial resources by developing revenue base and enabling to fix tax rates themselves.
- The organizational structure of the revenue administration will be made compatible to the federal structure by expanding economic activities.
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- For the structural reform of revenue administration, a bill related to the formation of Central Revenue Board will be submitted to the Legislature Parliament.
- Geographic neutrality will be maintained in the resource mobilization of the State and Local Level without affecting inter-state and international trade.

Policy level and System Reform

- International trade will be facilitated through appropriate reform in the customs laws as per the revised Kyoto Protocol. Fifth phase of customs reform and modernization action plan and the second five year strategic plan of the Inland Revenue Department will be implemented.
- Revenue Leakage Control Act and Procedure will be revised within this Fiscal Year. In order to regulate and facilitate electronic trade, necessary procedure will be developed and brought into implementation.
- Revenue exemption will be managed through expenditure system by gradually reducing the system of revenue exemption.
- The process of double taxation avoidance agreement will be expedited with those countries having much more transactions and having potentials of investment and technology export with Nepal.
- Sales, distribution, regulation and management of liquor and cigarettes will be made further effective.
- In the process of money laundering, effective law will be formulated and implemented to control foreign exchange embezzlement through hundee, electronic currency and bit coins.

Procedural Reform

- New business code number will be brought into effect from this Fiscal Year revising the existing business code used for the tax purpose so as to match with goods classification code based on the harmonized customs system.
- E-payment system will be made effective in order to facilitate taxpayers to pay their taxes from any branch of the banks that are involved in revenue collection.
- For the procedural simplification of tax system, reforms in maintaining uniformity and clarity in administrative, legal and technical subjects.

- As a member state of the World Customs Organization, Goods Classification and Codification 2017 developed and promoted by the organization will be implemented from this fiscal year. I have expected that it will further support trade facilitation.
- Custom Automation System will be gradually made web-based. For this purpose, Custom Automation System (ASYCUDA) will be gradually extended to all custom offices.
- An arrangement will be made in a way that the importer and exporter will be allowed to import and export for business purpose, only after getting import export code effective from 16 July 2017.

Broadening Tax Base

- Tax base will be broadened by giving priority to the expansion of tax net instead of increasing the tax rate.
- The task of allotting Permanent Account Number will be continued to all income earners including doctors, engineers, lawyers, advisors, artists, players and individuals involved in teaching profession in various teaching institutions, and additional taxpayers will be brought into the tax net.

Taxpayers Education

- Taxpayers Education Programs will be continued as informative and awareness raising activities for the taxpayers and general public. Such programs related to education, information and awareness will be conducted in the participation of and coordination with private, non-government, user groups and professional agencies as well.
- Necessary coordination will be made to include tax system of Nepal in the curricula of secondary level school to provide tax information.

Efficiency and System Development

- Revenue mobilization will be enhanced through capacity development of tax administration and the system reform. For this purpose, arrangement will be made to have effective exchange of information by developing integrated information network within the Ministry of Finance and its departments.
- The system of revenue administration and its efficiency will be developed as per the federal structure so as to facilitate the formation of revenue structure and capacity development at the State and Local Level.
- Revenue Administration Training Centre will be developed as an academic institution to offer capacity development and subject matter efficiency. This Centre will be developed as Document Archiving Centre and preserving important revenue related records.

Revenue Leakage Control

- For the purpose of protecting national tax base, risk indicators will be revised through identifying revenue risk zones and controlling high tax planning and evasion.
- Information exchange will be managed between Federal, State and Local Level of revenue administration in order to control revenue leakage.
- Trade distortion will be controlled by the use of electronic system in internal movement of goods making efficient internal monitoring and surveillance. Patrolling will be mobilized in order to control illegal import.

- An arrangement of payment only through banking system will be made in case of trade transaction over certain amount with India and Tibet of China.
- Customs valuation system will be made realistic and transaction value based by enforcing realistic customs declaration and right classification of goods.
- Special strategy will be adopted to prevent under invoicing, illegal import/export and illegal trade.

Other Highlights of budget

- Budget allocation of NRs 146.11 billion for post-earthquake reconstruction and rehabilitation programs
- Programs for Energy sector got the budget of Rs. 62.47 billion.
- Budget allocation of NRs. 66.12 billion for education related programs and NRs. 31.78 billion for the implementation of health related services
- Budget allocation of NRs 10.17 billion for Budhigandaki Hydropower Project
- Budget allocation of NRs 13.72 billion for three airports: Nijghad Second International Airport, Gautam Buddha Regional International Airport and Pokhara Regional International Airport
- Budget allocation of NRs. 10.14 for Kathmandu Terai-Madhesh Fast Track Fast Track , NRs 4.02 billion for railway track of Bardibas-Simara section.
- Budget allocation of NRs. 6.57 billion for Most awaited Melamchi water project
- National Health Insurance Scheme will be expedited with the target of covering all Nepali citizens in health insurance within 3 years.
- Nepali life and non-life insurance companies to reinsure major share of their insurance policies to Nepal Reinsurance Company.
- Bank Account of all Nepali program will be implemented effectively.
- In order to receive remittance through formal channel, opening of the bank account to be made mandatory for Nepali outgoing labors and to remit money to that bank account only.
- Necessary arrangement will be made to open at least one branch of the commercial banks in each rural municipalities and municipalities.
- Maintain the **local consolidated fund** in the commercial banks and obtain the electronic data of such fund in the Financial Comptroller's Office.
- Programs will be prepared in a way to gain maximum benefit from the participation of Nepal in Belt and Road Initiative started by Chinese government.

Major Amendments in Tax Laws

Due to the election code of conduct being effective, there was no space for making changes in the tax related laws and tax rates. Hence, there have been no changes in the tax rates except minimum increment in the excise duty in alcohol-based and tobacco-based goods affecting general health.

Income Tax

The changes in Income Tax Act by the Finance Act 2074/75 are:

Section 2: Definition

Section	Existing Provision 2073/74	Revised Provision 2074/75
Sec 2 (Dha) Tax Exempt Entity	<p>“Tax Exempt Entity” means the following entity:</p> <ol style="list-style-type: none"> 1. Following organizations registered in IRD as organization entitled to tax exemption <ol style="list-style-type: none"> a. A social, religious, educational, or a charitable organization of a public character established without having a profit motive, b. An amateur sporting association formed for the purpose of promoting social or sporting facilities not involving the acquisition of gain, 2. A political party registered with the Election Commission, 3. Village Development Committee, Municipality or District Development Committee 	<p>“Tax Exempt Entity” means the following entity:</p> <ol style="list-style-type: none"> 1. Following organizations registered in IRD as organization entitled to tax exemption <ol style="list-style-type: none"> a. A social, religious, educational, or a charitable organization of a public character established without having a profit motive, b. An amateur sporting association formed for the purpose of promoting social or sporting facilities not involving the acquisition of gain, 2. A political party registered with the Election Commission, 3. REMOVED <p>Note: Point 3 has been kept under sec 10 (jha).</p>
Sec 2 (Bha) Entity	<p>“Entity” means the following:</p> <ol style="list-style-type: none"> 2. VDC, Municipality or DDC 3. Nepal Government 	<p>“Entity” means the following:</p> <ol style="list-style-type: none"> 2. Rural Municipality, Municipality or District Coordination Committee 3. Nepal Government, State Government or Local Body

Sec 10: Tax Exempt Amount

Existing Provision 2073/74	Revised Provision 2074/75
<p>The following amounts shall be exempted from income tax:</p> <p>(Nga) Allowances provided by Government of Nepal to Widows, Elder Citizens, or Disabled Individuals;</p> <p>(Jha) Income of Nepal Government.</p>	<p>The following amounts shall be exempted from income tax:</p> <p>(Nga) Allowances provided by Government of Nepal, <i>State Government or Local Level</i> to Widows, Elder Citizens, or Disabled Individuals;</p> <p>(Jha) Income of Nepal Government, <i>State Government or Local Level</i></p>

Sec 11: Business Concession and exemptions

In Sec 11 (2) and sec 11(2ka), the word rural areas have been replaced by word rural municipalities.

Explanation: Very undeveloped, undeveloped and underdeveloped

Existing Provision 2073/74	Revised Provision 2074/75
<p>For the Purpose of Section 11:</p> <p>“Very undeveloped”, “Undeveloped”, “Underdeveloped Area” means the areas as referred to in Schedule -3 of Industrial Enterprises Act, 2049.</p>	<p>For the Purpose of Section 11:</p> <p>“Very undeveloped”, “Undeveloped”, “Underdeveloped Area” means the areas as referred to in <i>Schedule -10 of Industrial Enterprises Act, 2073.</i></p>

Explanation: Special Industry

Existing Provision 2073/74	Revised Provision 2074/75
<p>"Special industry" means a production-oriented industry as classified in Section 3 of the Industrial Enterprises Act, 2049 (1992) except an industry producing Cigarette, <i>Bidi</i>, <i>Sigar</i>, Tobacco, <i>Khaini</i>, other productions of the same nature involving tobacco as the principal raw materials, liquors, beer and products of similar kind.</p>	<p>"Special industry" means a production-oriented industry, industry based on agriculture and forest products and mines industry as classified in <i>Section 15 of the Industrial Enterprises Act, 2073</i> except an industry producing Cigarette, <i>Bidi</i>, <i>Sigar</i>, Tobacco, <i>Khaini</i>, pan, gutkha, other productions of the same nature involving tobacco as the principal raw materials, liquors, beer and products of similar kind.</p>

Tax rates

There has been no change in tax rates applicable for individual and entity from budget this year. The existing tax rates to be continued in this FY 2074/75 are as:

For Natural Resident Person

Particulars	Individual	Couple
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	Amount	Tax rate	Amount	Tax rate
First Slab	350,000	1%	400,000	1%
Next	100,000	15%	100,000	15%
Remaining upto 25 Lakh	2,150,000	25%	2,100,000	25%
Above 25 lakh	>2,500,000	35% ¹	>2,500,000	35% ¹

1: In case the taxable income exceeds NRs. 2,500,000-surcharge of 40% of tax rate applicable on so exceeded amount(i.e. Above Rs. 2,500,000, Tax Rate of 25+40%*25=35% is applicable).

Note:

- 1% tax on first slab is not levied for sole proprietorship firm and income from pension.
- If a Natural Person is engaged in the operation of a Special-Industry mentioned in section 11 of the Act throughout the Year, tax shall be levied by **twenty percent** in place of twenty five percent of the Taxable Income.
- Tax shall be charged by **fifteen percent** in place of twenty five percent on the Taxable Income earned by any natural person from exports in an Income Year.
- Income of Natural person earned from an agricultural business in the land other than as referred to in clauses (d) and (e) of Section 12 of the Act relating to Land, 2021(1964) is tax exempt. (sec 11 (1))

Tax rates For Non-resident Person

Particulars	FY 2074/75
Income from Normal transactions	25%
Income earned from providing shipping, air transport or telecommunication services, postage, satellite, optical fiber project	5%
Income earned providing shipping, air transport of telecommunication services through the territory of Nepal	2%
Repatriation by Foreign Permanent Establishment.	5%

Presumptive Tax

Particulars	FY 2074/75
In case of Resident Natural Person engaged in business of Public Vehicles	
Mini bus, Mini truck, Truck and Bus	Rs. 3,000
Car, Jeep, Van, Micro Bus	Rs.12,400
Three Wheeler, Auto Rickshaw, Tempo	Rs.1,550
Tractor and Power Tiller	Rs. 1,000
In case of Small Tax Payer	
Metropolitan, Sub-Metropolitan	Rs. 5,000
Municipal Areas	Rs. 2,500
Other than metropolitan and municipal areas	Rs. 1,500

Note: Small tax-payer means natural person whose annual turnover is less than Rs. 20 lakh and income not exceeding Rs. 200,000 and not registered in VAT.

Turnover Tax for low income generating Natural Person

Resident Natural Person who fulfills all the following conditions:

- generates income only from business having source in Nepal
- does not claim Medical Tax Credit
- does not claim advance tax arising out of tax withheld by withholding agent
- the transaction of the business exceeds Rs. 20 Lakhs and is less than Rs. 50 Lakhs
- is not registered for VAT purpose, and
- does not have income related to consultancy and expert professional services including that provided by doctor, engineer, auditor, lawyer, sportsman, artist, and consultant.

SN	Particulars	FY 2074/75
1	For person transacting goods of cigarette and gas etc. on the basis of minimum 3% commission	0.25% of turnover
2	For business other than specified in (1) above	0.75% of turnover
3	For person in service business	2% of turnover

Note: If income tax calculated is below NRs 5,000 then above person shall pay NRs 5,000 instead of tax at above rate.

Tax rates For Entity

SN	Particulars	FY 2074/75
1.	Normal Rate	25%
2.	Bank and Financial Institution, General Insurance business, and	30%
3.	business for cigarette, bidi, cigar, chewing tobacco, khaini, liquor and beer	30%
4.	Petroleum works pursuant to the Nepal Petroleum Act, 2010	30%
5.	Special industry mentioned in Section 11 of the Act	20%
6.	Cooperatives based on agro and forest products, Saving and Credit Co-Operatives established in <i>rural municipalities</i> under Co-Operatives Act, 2048.	Nil
7.	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%
8.	Builds and operates any road, bridge, tunnel, ropeway or overhead bridge Operates any trolley bus or tram,	20%

9.	Carries on projects such as to build, operate any public infrastructure project and transfer it to Government of Nepal and building power-house, generation and transmission of electricity	20%
10.	Income earned from Exports	20%
Tax Concessions (Sec 11)		
1.	Special Industry and Information technology industry providing direct employment to 300 or more Nepalese citizens throughout the year	90% of Normal Rate
2.	Special Industry providing direct employment to 1200 or more Nepalese citizens throughout the year	80% of Normal Rate (i.e. 80% of 20 = 16%)
3.	Special Industry providing direct employment to 100 Nepalese including 33% women, dalit & incapacitated person throughout the year	80% of Normal Rate
4.	Special industry, agriculture industry, tourism industry providing employment to minimum 100 Nepalese Citizen only	70% of Normal Rate
5.	Special-Industry operated in a least developed area	10% of the normal rate for 10yrs from the year of establishment
6.	Special-Industry operated in undeveloped area	20% of the normal rate for 10yrs from the year of establishment
7.	Special-Industry operated in under developed area	30% of the normal rate for 10yrs from the year of establishment
8.	New Special Industries established with more than 1 billion (1 arab) capital and providing direct employment to more than 500 individuals throughout the year	100% exemption in income tax for first five years and 50% of the applicable tax rate in subsequent 3 years.
9.	Currently operating industry providing direct employment to more than 500 individuals throughout the year enhancing at least 25% of existing capacity and making capital investment of one billion	100% exemption in income tax on the income received from such enhanced capacity for first 5 years and 50% of the applicable tax rate in subsequent 3 years
10.	Industry established in 'Special Economic Zone' at Specified Economic Zone situated at Himali districts or at any hilly districts notified by Government of Nepal,	100% tax exemption for 10 years from the commencement of the business and 50% of applicable tax then-after.
11.	Industry established in 'Special Economic Zone' other than	100% tax exemption for

	above locations	5 years from the commencement of the business and 50% of applicable tax then-after
12.	Dividend distributed by Industry in Special Economic Zone	100% tax exemption for 5 years from commencement of the business and 50% percent of the applicable tax rate in subsequent 3-years
13.	Income derived as service charge or royalty for technology transfer or management services provided by a foreign investor for the industries established at Special Economic Zone	50% of applicable tax rate
14.	Special industry, agriculture based industry and tourism based industry capitalizes its profit (issues bonus shares) for the purpose of expansion of capacity of industry	Full Exemption of Dividend Tax on such bonus shares
15.	Person engaged in petroleum or natural gas exploration and extraction if commence its commercial operation within 2075 Chaitra end	100% Tax Exemption for 7 years from date of operation and 50% of applicable tax rate for next 3 years
16.	Industry relating to software development, data processing, cyber, café, digital mapping industry established at IT park, Bio-tech Park or technology park as declared by government.	50% of applicable tax
17.	Person or entity having licensed to generate, transmit or distribute electricity starting its commercial production, transmission and distribution up to Chaitra end 2080 B.S., Such facility shall also be provided to the solar power, wind power and bio-power production .	100% exempt for first 10 years and 50% of applicable tax rate for subsequent 5 years
18.	Income from export of manufactured goods by Manufacturing Industries	75% of normal tax rate (i.e.75% of 20=15%)
19.	Income from construction and operation of Road, Bridge, Airport and Tunnel and income from investment in tram and trolley bus.	60% of applicable tax rate (i.e. 60%*20=12%)
20.	Entities relating to manufacturing, tourism service, hydropower generation, distribution and transmission, and entities mentioned in sub-section (3c) of Section 11 i.e. IT industry at IT park, having listed in the capital market	15% exemption of applicable tax rate
21.	Industry established in least developed areas producing fruit-based brandy, cider or wine	40% exempt for first ten years from commencement of commercial transaction

22.	Royalty from export of intellectual property by a person.	25% exempt on applicable rate
23.	Income from sale of intellectual property by a person through transfer.	50% exempt on applicable rate
24.	Industry related to tourism industry or airlines having international flights established with capital investment of more than Rs. 2 billion	100% exemption for 5 years from commencement of business and 50% of the applicable tax rate in subsequent 3 years.
25.	For above entities currently in operating increases its capital up to two billion by enhancing at least 25% of its installed capacity	100% exemption on the income received from such enhanced capacity for first 5 years and 50% of the applicable tax rate in subsequent 3 years
Note: If any company is entitled to more than one privilege as mentioned in tax concessions, only one will be entitled as opted by the entity.		

Tax Deduction at Source (TDS) rates

SN	Nature of transaction	FY 2074/75
1.	Payment made by resident person of income having source in Nepal on Interest, Royalty, Natural resource payment, Service fee, Commission, Sales Bonus, Retirement Benefit.	15%
2.	Retirement payments made by Government of Nepal or from Approved Retirement Fund.	5%
3.	Commission Paid by Resident Company to Non-Resident Person	5%
4.	Aircraft lease payment	10%
5.	Service fee payment to VAT registered Resident Person or Resident Entity dealing VAT exempt transaction	1.5%
6.	Payment of rent made by resident person having source in Nepal	10%
7.	Payment of vehicle rent to VAT registered person engaging in vehicle rental business	1.5%
8.	Return from mutual fund to natural person	5%
9.	Payment by Resident Person for utilizing services related with Satellite, Bandwidth, Optical Fiber, equipment relating to telecommunications or electric transmission	10%
10.	Dividend paid by resident entity	5%

11.	Payment of gain from investment insurance by resident entity	5%
12.	Payment of gain from unapproved retirement fund by resident entity	5%
13.	Payment made by resident bank, financial Institution or other entity issuing bond debenture or listed company of interest or similar payment in consideration of deposits, bond, debenture, or governmental bond made to natural person having source in Nepal and not related to business.	5%
14.	Payment made by Natural Person except relating to business	No TDS
15.	Payments for articles published in newspaper, question setting, answer checking	No TDS
16.	Interest payment to resident bank, other financial institutions	No TDS
17.	Tax exempt Payment	No TDS
18.	Interregional interchange fee paid to credit card issuing bank	No TDS
19.	Dividend and interest paid to Mutual Fund	No TDS
20.	Interest income up to Rs. 25,000 on deposit under 'Micro Finance Program', Rural Development Bank', 'Postal Saving Bank' & Co-operative (u/s - 11(2)) in <i>rural municipalites</i>	Tax exempt
21.	Wind fall gains	25%
22.	Wind fall gains from Literature, Arts, Culture, Sports, Journalism, Science & Technology and Public Administration amount received up to 5 lacs	No TDS
21.	Contract payment exceeding Rs. 50,000 including payments in the past Ten days	1.5%
22.	Payment on contract to Non Resident person for repair of aircraft & other contract	5%
23.	On payment of insurance premium to non-resident insurance company	1.5%

Tax Collection at Source (TCS)

SN	Nature of transaction	FY 2074/75
1.	Profit and Gain from Transaction of commodity future market collected by entity operating the commodity future market	10%

2.	Gain on disposal of Interests in Listed Resident entities collected by stock exchange In case of Individual In case of others	5% 10%
3.	Gain on disposal of Interests in Non- listed Resident entities collected by the entity In case of Individual In case of others	10% 15%
4.	Gain on disposal of Interests invested by mutual fund in Resident listed or non-listed entities	No TCS
5.	Gain for Natural person on transaction exceeding NRs. 3 million collected by Land revenue office at the time of registration <ul style="list-style-type: none"> ▪ Disposal of land or land & building owned for more than 5 years. ▪ Disposal of land or land & building owned for less than 5 years. 	2.5% 5%
6.	Gain on disposal of land or building by other than mentioned in point 5 above collected by Land revenue office at the time of registration	10%

Value Added Tax (VAT)

The changes in Value Added Tax Act, 2052 by Finance Act 2074 are:

Sec 8(2) Reverse VAT

Existing provision (2073/74)	Revised Provision (2074/75)
The recipient of services in Nepal whether registered or not from a person outside Nepal shall have to assess and collect tax at the taxable value in accordance with this Act and Rules there under at the time of payment for service.	The recipient of services in Nepal whether registered or not from a person outside Nepal shall have to assess and collect tax at the taxable value in accordance with this Act and Rules there under at the time of receipt of service or payment whichever is earlier.

Sec 18 (1) Return of Tax to be submitted

Existing Provision 2073/74	Revised Provision 2074/75
Every taxpayer shall, upon making assessment of the tax payable by him/her in every month, submit the tax description, as prescribed, before the Tax Officer or by registered post within 25 days of completion of that month. Such description shall be submitted whether or not a taxable transaction	Every taxpayer shall, upon making assessment of the tax payable by him/her in every month, submit the tax description, as prescribed, before the Tax Officer or by registered post or by Electronic Means within 25 days of completion of that month. Such description shall be submitted whether or not a taxable

was carried out in that month or not.	transaction was carried out in that month or not.
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Changes in Schedule 1

Group 4

Existing provision (2073/74)	Revised Provision (2074/75)
87.10 Pedestrian controlled tractors	87.10 Single axle tractors
8701.20.90 Other	Other of following capacity 8701.20.91- not exceeding 18 kilowatt 8701.20.92-exceeding 18 kilowatt but not exceeding 37 kilowatt 8701.20.93-exceeding 37 kilowatt but not exceeding 75 kilowatt 8701.20.94-exceeding 75 kilowatt but not exceeding 130 kilowatt 8701.20.95-exceeding 130 kilowatt

Group 11 (a) Goods

Following goods has been added in the exemption list just before 27.10:

- Petroleum oil (except crude oil) and oil extracted from bitumen minerals, oils containing 70% or more of petroleum oil or oil extracted from bitumen minerals, preparations not elsewhere mentioned containing these oils as main constituents, except bio diesel and waste oils

Group 11 (aa) Other has been updated to include:

- Services provided by State and local government.

Excise Duty

Changes in Excise Act 2058 by Finance Act 2074 are:

Change in Sec 3ka(5)

Existing provision (2073/74)	Revised Provision (2074/75)
Excise Duty paid on auxiliary Raw Material and Packing Material cannot be set off with Excise Duty Liability.	Excise Duty paid on auxiliary Raw Material, Packing Material, <i>excise duty paid on import of custom duty exempted raw material and spare parts</i> cannot be set off with Excise Duty Liability.

Addition of sec 4Ga (2) (d)

Existing provision (2073/74)	Revised Provision (2074/75)
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NA	<i>Armed personal carrier, vehicle, ammunitions and other goods taken under record for use of Army, Armed Police Force and Nepal Police engaged in peacekeeping mission under request of UN.</i>
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Change in Sec 4Gha: Control in sale and Distribution

Sec 4Gha (2)

Existing provision (2073/74)	Revised Provision (2074/75)
Person dealing in sale and distribution of liquor and tobacco in Metropolitan City, Sub-Metropolitan City, Municipality and Main Highways declared by Department should involve in business of liquor and tobacco only. The same provision is not applicable to Hotel and Restaurant Business.	<i>Person dealing in sale and distribution of liquor and tobacco should involve in business of liquor and tobacco only.</i>

Addition of Sec 4Gha (3)

Existing provision (2073/74)	Revised Provision (2074/75)
NA	<i>Person who have license to sale and distribute tobacco, shall sale and distribute through separate outlet.</i>

Addition of Sec 4Gha (4)

Existing provision (2073/74)	Revised Provision (2074/75)
NA	<i>Notwithstanding clause 2 and 3, Departmental store should sale and distribute liquor and tobacco through separate section.</i>

Change in Sec 10Ja: Recovery of Due Excise Duty

Existing provision (2073/74)	Revised Provision (2074/75)
If any person does not pay the excise duty to be paid within the time limit as referred to in this Act, the concerned Excise Duty Officer my recover the same by way of following measures: 2. By having deduction of such amount from the amount payable by the Government of Nepal or any corporate body owned by the Government of Nepal or local body to such a person.	If any person does not pay the excise duty to be paid within the time limit as referred to in this Act, the concerned Excise Duty Officer my recover the same by way of following measures: 2.By having deduction of such amount from the amount payable by the Government of Nepal or any institutional body owned by the Government of Nepal <i>or State Government or institutional body owned by State Government</i> or local level to such a person.

Changes in Rates

The Excise duties on Tobacco and Liquor have been increased by this Budget 2074. Apart from these changes, there have not been any major changes in Excise Duty rates this Year.

The changes in rates are prescribed below:

Code	Materials	Unit	FY 2074/75 (Rs.)	FY 2073/74 (Rs.)
1703.10.00	Molasses(Sugarcane)	Per quintal	55	50
1703.90.00	Other	Per quintal	55	50
2106.90.20	Tobacco free Pan macula	Per Kg	462	420
2106.90.70	Tobacco free Flavoured betel nut (supari)	Per Kg	171	155
2203.00.00	Beer made up of barley	Per Ltr	115	106
2202.91.00	Beer without alcohol	Per Ltr	7	0
2204.29.40	Wine up to 12 % alcohol (Local Ingredients)	Per Ltr	80	74
2206.00.30	Cider made locally	Per Ltr	119	108
2207.10.10	Undenatured Ethanol Alcohol with more than 80% or more volume alcohol power	Per Ltr	55	50
2207.10.20	Rectified spirit used as raw material to liquor containing 80% or more volume alcohol power	Per Ltr	55	50
2207.10.30	ENA(Extra Neutral Alcohol)	Per Ltr	58	50
2207.20.00	Denatured Spirit (80% to 99% alcohol)	Per Ltr	12	10
2208.20.10 2208.30.10 2208.40.10 2208.50.10 2208.60.10 2208.70.10 2208.90.10	Raw material and Cardials (Spirit also) used for wine, brandy. Whisky, rum, vodka and other	Per Ltr	127	115
2208.20.90.10 2208.30.90.10 2208.40.90.10 2208.50.90.10 2208.60.90.10 2208.70.90.10 2208.90.90.10	Liquor with 48.5% alcohol	Per Ltr	1003	912
2208.20.90.20 2208.30.90.20 2208.40.90.20 2208.50.90.20 2208.60.90.20	Liquor with 42.8% alcohol	Per Ltr	748	680

2208.70.90.20				
2208.90.90.20				
2208.20.90.30	Liquor with 39.94% alcohol	Per Ltr	697	634
2208.30.90.30				
2208.40.90.30				
2208.50.90.30				
2208.60.90.30				
2208.70.90.30				
2208.90.90.30				
2208.90.90.40	Liquor with 34.23% alcohol	Per Ltr	350	321
2208.90.90.50	Liquor with 28.53% alcohol	Per Ltr	144	132
2208.90.90.60	Liquor with 17.12% alcohol	Per Ltr	28	26
2402.20.10	Cigarette without filter	Per M	374	346
2402.20.21	Cigarette up to 70 mm with filter	Per M	859	795
2402.20.22	Cigarette 70-75 mm with filter	Per M	1116	1024
2402.20.23	Cigarette 75-85 mm with filter	Per M	1456	1336
2402.20.24	Cigarette above 85 mm with filter	Per M	2055	1868
2403.91.00	Homogenized or reconstituted tobacco	Per Kg	253	230
2403.99.10	Jarda, Khaini, Snuff, gutkha, pan masala with nicotin and tobacco containing goods	Per Kg	462	420
2403.99.20	Packed tobacco consumed with Chuna for retail sale	Per Kg	253	230
2403.99.30	Cut tobacco not for retail sale, dust tobacco	Per Kg	253	230
3920.99.10	Printed plastics	Per Rs.	5%	0
3921.90.10	Printed Plastics cellular other	Per Rs.	5%	0
8704.22.91	Tank attached with chassis specially designed for Milk transport	Per Rs.	5%	0
8704.22.92	Container truck attached with chassis	Per Rs.	5%	0
8704.22.93	Specially prepared Bullet for liquefied petroleum gas (LPG)transportation	Per Rs.	5%	0

Changes in the notes to schedule

Existing Provision 2073/74	Revised Provision 2074/75
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7. 50% exemption in excise duty on local production of motorcycle and 25% exemption on local production of other vehicle	7.25% exemption in applicable excise duty for the assembler of vehicle on import of unassembled parts and on sale of the manufactured vehicle thereon
8. 100% exemption of excise duty in vehicle run by electricity	Removed

Customs Duty

Changes in the Custom Act 2064 by Finance Act 2074 are;

Section 2: Definition

Section	Existing Provision 2073/74	New Provision 2074/75
Sec (pa2) Custom Examiner	NA	<i>“Custom Examiner” means Chief Custom Examination Administrator, Chief Custom Examiner, or Custom Examiner and it also includes officer appointed by DG for post clearance examination under section 34.</i>

Addition of New Section 23Ka: Central Examination system can be implemented

Existing Provision 2073/74	New Provision 2074/75
NA	<i>Notwithstanding anything mentioned in this chapter, Department can make necessary arrangement for central examination of goods declared in custom office as prescribed.</i>

Changes in Custom Duty Rates:

There are some changes in the description of subheadings or addition/deletion of some items in the headings by Finance Act 2074. Similarly, it there is additional provision on Point 21 of custom schedule that has imposed certain restrictions on import/export through courier service by private entity, which are:

Restriction on import through courier

- More than 70kg weight in one packet.
- Animal and their body parts.
- Plant and their parts.
- Any type of gold, silver and jewelries.
- Precious and valuable stone.
- Any other goods restricted to import by prevailing law.

Restriction on export through courier

- Goods attracting export duty.

- Export made by entity availing bonded warehouse and passbook facility.
- Any other goods restricted to export by prevailing law.

Changes in custom for the import of LCD, Plasma, LED television.

Gross rate of 55% of amount included shall be charged as custom, excise and vat.

Previously there is the provision of charging duty as per the size (Inch) of the television so imported.



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