

HIGHLIGHTS OF FEDERAL BUDGET OF NEPAL

FISCAL YEAR 2081/82 (2024/25)



THE INSTITUTE OF CHARTERED ACCOUNTANTS OF NEPAL
(Established under the Nepal Chartered Accountants Act 2053)



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A QUICK INSIGHT OF NEPAL'S FEDERAL BUDGET 2081/82 (2024/25)

1. BUDGET SUMMARY

The annual budget acts as a tool to strengthen a nation's economic, social, and governmental system by outlining economic policies, priorities and directing investments, which ultimately promotes overall development. The Federal Budget of Nepal for Fiscal Year 2081/82 (2024/25) was framed by prioritizing economic reforms, encouraging private sector participation, good governance, public services delivery and promoting social security and inclusiveness. The Budget focuses on key areas to boost the economy such as agriculture, energy, information technology, tourism, industrial development and infrastructure construction and development of education, health, and social sector.

Federal Budget for the Fiscal Year 2081/82 as presented by Hon'ble Finance Minister, Mr. Barsha Man Pun on 28th May 2024 (2081/02/15) has been summarized below:

1.1. OBJECTIVES OF BUDGET



To increase production, productivity, and employment



To boost morale of private sector and accelerate economic activities



To develop human resources



To reduce financial inequalities and poverty through balanced and equitable deployment of resources



To maintain effective public service delivery



1.2. PRIORITIES OF BUDGET



Economic Reforms and Promotion of Private Sector



Agriculture, Energy, Information Technology, Tourism, Industrial Development, and Infrastructure construction



Development of Education, Health and Social Sector

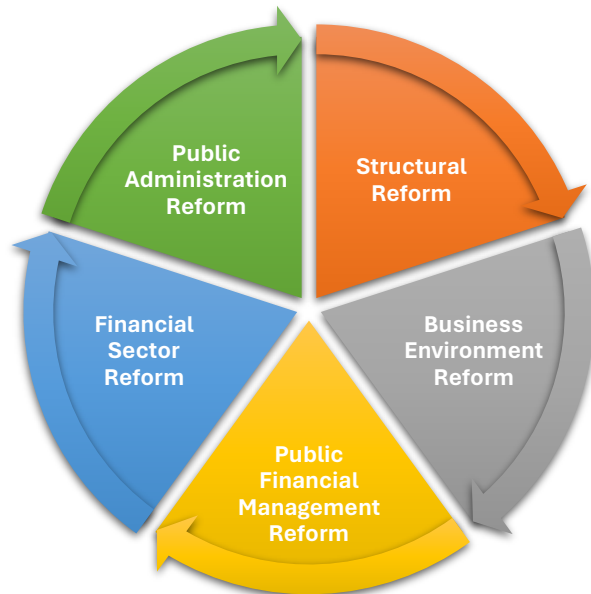


Inclusiveness and Social Security



Promotion Good Governance and Reform in Public Service Delivery

1.3. STRATEGIES FOR FINANCIAL REFORMS AND AREAS OF TRANSFORMATION



Transformation of Agricultural sector



Development of Energy Sector



Development of Information Technology

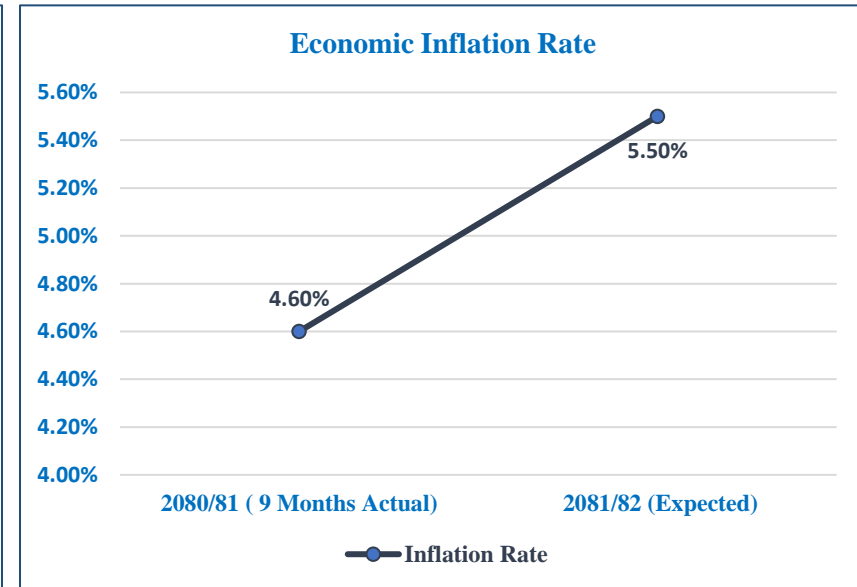
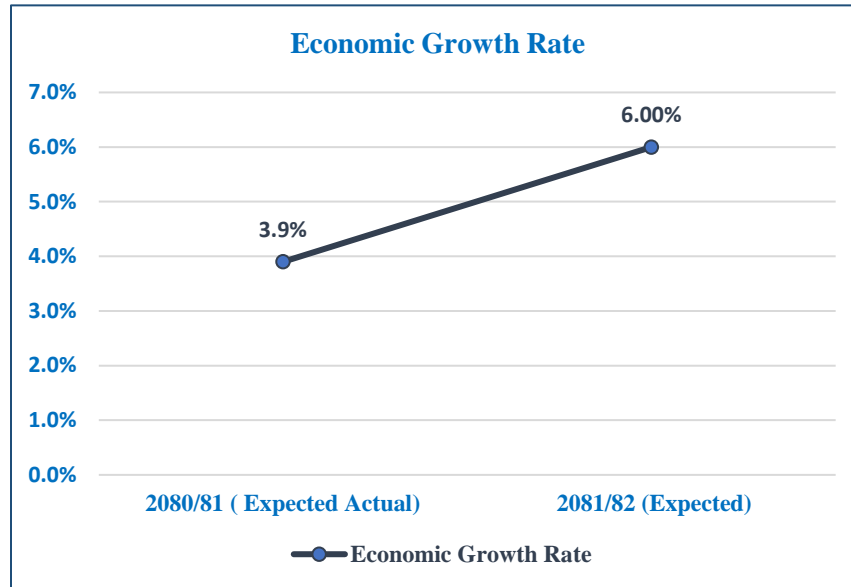


Promotion of Tourism



Entrepreneurship and Industrial Development

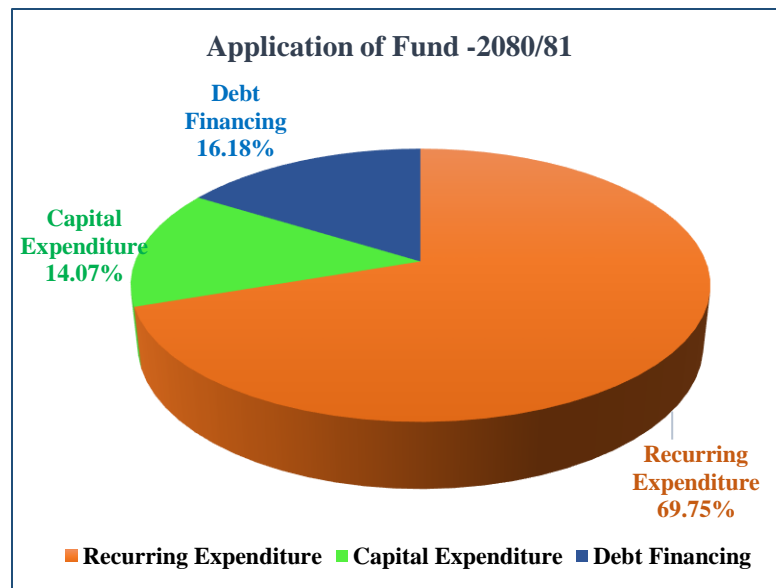
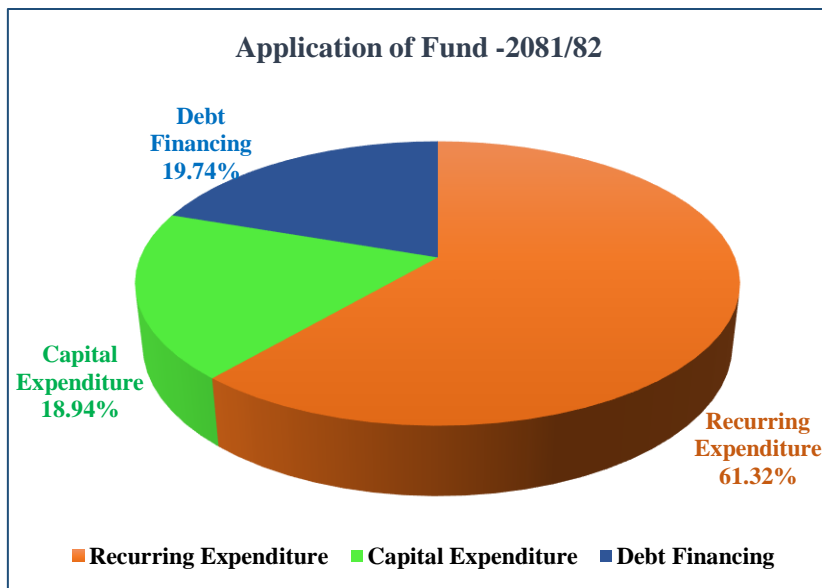
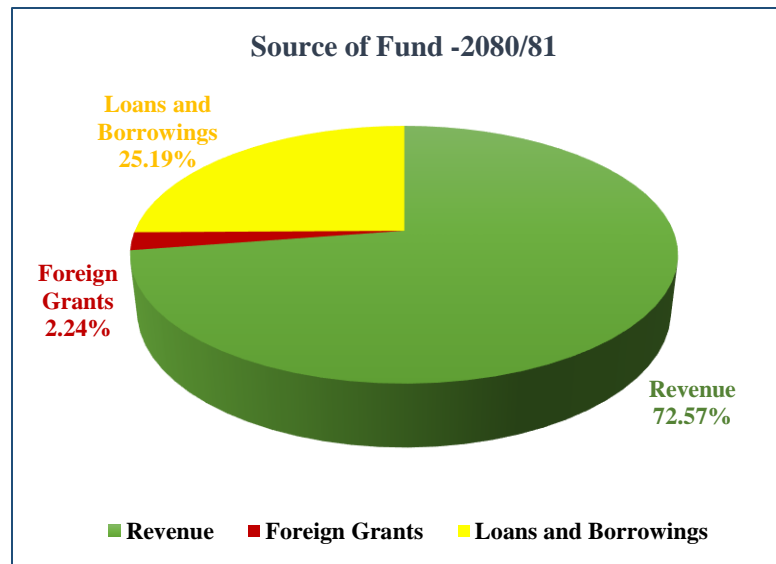
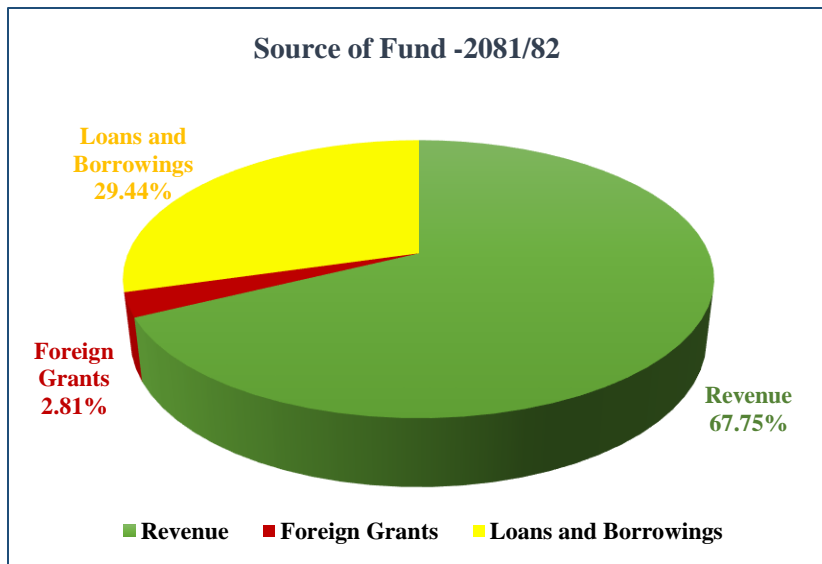
1.4. ECONOMIC GROWTH RATE AND INFLATION



1.5. COMPARISON OF BUDGET SIZE

SN	Source of Fund	NPR (Billion)-2081/82	Revised NPR (Billion)-2080/81	Application of Fund	NPR (Billion)-2081/82	Revised NPR (Billion)-2080/81
1	Revenue	1,260.30	1,110.57	Recurring expenditures	1,140.66	1,067.49
2	Foreign Grants	52.33	34.35	Capital expenditures	352.36	215.30
3	Loans and borrowing	547.67	385.44	Debt Financing	367.28	247.57
	Total	1,860.30	1,530.36	Total	1,860.30	1,530.36





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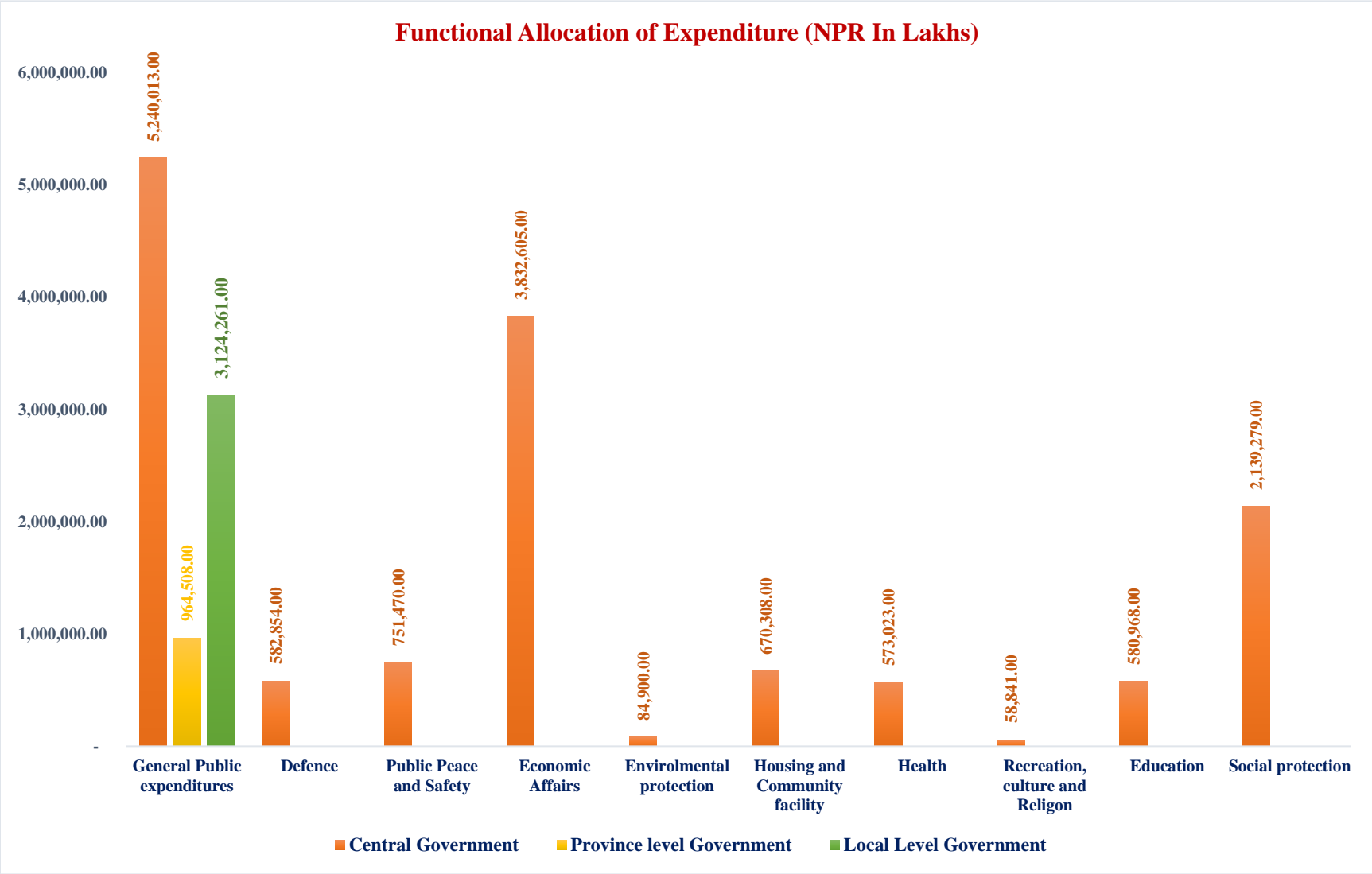
1.6. MINISTRY WISE BUDGET ALLOCATION

(NPR in Lakhs)

S.N.	Ministry	Central	Province	Local Level	Total Budget	% of Total
1.	Office of the Prime Minister and Council of Ministers	55,917.00	-	-	55,917.00	0.30%
2.	Ministry of Finance	486,155.00	707,451.00	1,035,000.00	2,228,606.00	11.98%
3.	Ministry of Industry, Commerce and Supplies	82,556.00	-	10,266.00	92,822.00	0.50%
4.	Ministry of Energy, Water Resources and Irrigation	869,799.00	5,800.00	-	875,599.00	4.71%
5.	Ministry of Law, Justice and Parliamentary Affairs	5,453.00	-	-	5,453.00	0.03%
6.	Ministry of Agriculture and Livestock Development	529,055.00	11,566.00	32,284.00	572,905.00	3.08%
7.	Ministry of Water Supply	233,228.00	12,592.00	20,527.00	266,347.00	1.43%
8.	Ministry of Home Affairs	1,988,707.00	-	3,727.00	1,992,434.00	10.71%
9.	Ministry of Culture, Tourism and Civil Aviation	90,018.00	-	29,097.00	119,115.00	0.64%
10.	Ministry of Foreign Affairs	67,742.00	-	-	67,742.00	0.36%
11.	Ministry of Forests and Environment	124,747.00	28,799.00	3,545.00	157,091.00	0.84%
12.	Ministry of Land Management, Cooperatives and Poverty Alleviation	66,308.00	-	1,954.00	68,262.00	0.37%
13.	Ministry of Physical Infrastructure and Transport	1,505,321.00	-	-	1,505,321.00	8.09%
14.	Ministry of Women, Children and Senior Citizen	13,075.00	475.00	2,495.00	16,045.00	0.09%
15.	Ministry of Youth and Sports	35,048.00	-	-	35,048.00	0.19%
16.	Ministry of Defense	598,714.00	-	-	598,714.00	3.22%
17.	Ministry of Urban Development	693,144.00	76,777.00	156,433.00	926,354.00	4.98%
18.	Ministry of Education, Science and Technology	576,963.00	46,099.00	1,413,558.00	2,036,620.00	10.95%
19.	Ministry of Information and Communications	73,529.00	-	-	73,529.00	0.40%
20.	Ministry of Federal Affairs and General Administration	64,856.00	10,065.00	16,793.00	91,714.00	0.49%
21.	Ministry of Health and Population	461,423.00	63,786.00	337,180.00	862,389.00	4.64%
22.	Ministry of Labor, Employment and Social Security	18,497.00	1,098.00	61,402.00	80,997.00	0.44%
23.	Others than above-including committees, commission	5,874,006.00			5,874,006.00	31.58%
	Total Budget	14,514,261.00	964,508.00	3,124,261.00	18,603,030.00	
	% of Total Budget Level Wise	78.02%	5.18%	16.79%		100.00%



1.7. FUNCTION WISE BUDGET ALLOCATION



1.8. MAJOR HIGHLIGHTS OF BUDGET 2081/82

MAJOR HIGHLIGHTS OF BUDGET 2081/82

2081 to 2091 B.S. will be celebrated as the decade of "Investment in Agriculture" by facilitating investment from government, private, cooperative & development partners to increase agricultural productivity through commercialization & modernization. (No. 31)

Addition of 900 MW in the national grid of electricity to enhance current capacity to 4500 MW. Per capita electricity consumption shall be increased to 450 units. Procedure for export of electricity to Bangladesh from upcoming fiscal year will also to be initiated. (No. 51)

Initiation of construction work of hydropower; Budhigandanki (1200 MW), Dudhkoshi (670 MW), Nalsing Gad Reservoir based hydropower project (417 MW), Naumure (280 MW), Ghunsa (77.5 MW) and Simbuwa (70.3 MW) to fulfil the electricity demand in the dry season. (No. 52)

Developing Nepal as Information Technology Hub celebrating ensuing year as embarkment of Information Technology (IT) decade with targeted export of NPR 3000 billion of IT services & generating 5 lakhs direct and 10 lakhs indirect employment during the next 10 years. (No. 59)

Attract 1.6 million tourists by profiling options for tourist destination through identification of new places and development of the existing ones (No. 65)

Promoting the Ram Janaki's wedding location at Janakpur as wedding hub and birthplace of Gautam Buddha as birthing hub (No.71)

National/international persons and organizations playing pivotal role in the promotion of mountaineering tourism to be honoured on International Everest Day which will be celebrated on May 29 of each year(No. 73)

Construction work of the second terminal of Tribhuvan international airport will be initiated and investment structure and initial work for the construction of Nijgadh International Airport on Public-Private-Partnership model shall be initiated. (No. 74)

Conduction of "Partnership Program for productivity and employment" to increase domestic production to substitute import, increase export and link the productivity with employment (No.78)

Promotion of domestic production through "Make in Nepal and Made in Nepal" campaign with co-ordination with the private sectors under Prime Minister's Nepalese Production and Consumption Promotion Program (No. 79)

Formation of Nepal Startup Fund of NPR. 1 billion to facilitate financial requirement of startups in order to increase the participation of youth in entrepreneurship (No.89)

Operation of Business Incubation Center in each province to materialize the entrepreneurial mindset of youths into business (No. 90)

MAJOR HIGHLIGHTS OF BUDGET 2081/82

Amendment of laws related to Investment and Industry to facilitate & ease investment like Industrial Enterprise Act, Insolvency Act, Labor Act, Hedging Regulation, Forest Act, Land Acquisition Act, Formation of law relating to Derivatives, Intellectual Property and Credit Transaction & amendment of Companies Act to ease registration, regulation and de-registration process (No. 93)

Development of Legal Provision for the production, branding, marketing, and sales of domestic alcohol. (No. 94)

Non-Resident Nepali (NRN) campaign to be conducted to connect their capital, technology, knowledge, and skills to the motherland. Facilitate the utilization and investment opportunities of the NRN Nepal Development Fund. (No. 104)

Restructuring of postal service to Electronic Business Hub, construction of Film Studio at Banepa, Kavrepalanchowk and Dolakha Cinema City through Public-Private-Partnership (No. 119)

Providing employment to around 2 lakhs unemployed individuals registered under Prime Minister Employment Program for at least 100 days in Public Construction and Maintenance Projects (No. 134)

“Returnee Entrepreneurship Program” to be conducted making at least 1 lakh foreign returnee Nepali self-employed through effective utilization of their knowledge, skill, and capital (No.138)

Developing interconnection between Social Security Fund (SSF) and Health Insurance under the concept of Unified Social Security and managing health insurance of the participants of SSF through SSF itself. (No. 140)

Establishment of Regulatory Body for the regulation of Saving & Credit Co-operatives and easing the merger process of the Saving and Credit Co-operatives (No. 146)

To minimize the current liquidity crisis in Saving & Credit Co-operative, managing the refund of deposit holders with deposit up to NPR 5 lakhs on the security of the collateral of the directors and their immediate family members of the co-operatives (No. 147)

Facilitate additional 45,000 students by expanding the scholarship provided to the students of very poor and marginalized class from Grade 6 to Grade 12 which is currently provided to the students from Grade 9 to Grade 12 (No. 161)

The infrastructure development of Sita Dahal Memorial College of Naturopathy and Yogic Science College under the Tribhuvan University will be initiated (No. 189)

80 National Level Sports will be conducted with the promotion of sports that reflect Nepali culture like Bagchal. Dandinbiyo, Ghodchadi etc. (No. 201)

Mulpani Cricket Stadium and Girija Prasad Koirala Cricket Stadium will be constructed as the national pride project. Upgradation of Kirtipur Cricket Stadium and construction of Fapla Cricket Ground to be expedited. Construction work of Gautam Buddha International Cricket Stadium will be continued through the collaboration of federal, state and local level of government. (No. 202)



MAJOR HIGHLIGHTS OF BUDGET 2081/82

Upcoming year to be celebrated as the year of Investment in Women. (No. 206)

Prime minister Daughter Independence Program will be conducted to provide employment-oriented knowledge and skill in coordination of province and local level (No. 208)

Survey and census program will be conducted to change the base year for national accounting (No. 269)

1% of annual capital expenditure will be set aside for research and development (No. 271)

Branch of bank will be established in Saipal Rural Municipality which doesn't have access to the banking facility till date (No. 273)

Sovereign Wealth Fund will be established to utilize remittance in productive areas. (No.274)

Regulation and Supervision capacity of the regulatory bodies will be strengthened and made more effective. Nepal Rastra Bank Act and Foreign Exchange Regulation Act will be amended, and institutional capacity of the Securities Board of Nepal and Nepal Insurance Authority will be strengthened. (No. 276)

Structural reforms of Nepal Stock Exchange Limited and CDS and Clearing Limited will be made. Legal and institutional arrangements will be made to operate a commodity exchange market. Companies with capital exceeding a specified amount will be made compulsory to be listed in the securities market. (No.278)



1.9. MAJOR HIGHLIGHTS RELATING TO TAX REVENUE AS PER BUDGET SPEECH

MAJOR HIGHLIGHTS RELATING TO TAX REVENUE AS PER BUDGET SPEECH

Custom and excise duties applicable on the import of raw materials by industries such as medicines, induction stoves, thread, helmets, incense sticks, sanitary pads, cashew and almond processing, spring plates, etc., have been decreased to prioritize and promote local industry by imposing duties on finished goods that are at least one level higher than the duties applicable on import of raw materials. (306)

Income tax applicable on payment of interest on loan taken from foreign banks and financial institutions has been decreased. (308)

Dividend tax has been exempted on capitalization of profit by Information Technology Industry. (311)

Tax exemptions will be provided on applicability of change in control due to an increase in capital by enhancing business capacity. (312)

Custom duty has been decreased on import of steel milk cans by animal farms producing more than 1,000 liters of milk daily. (313)

VAT on import of scooter by differently abled person has been exempted at the point of custom instead of providing VAT refund. (316)

A separate Custom Duty Bill has been formulated from the current fiscal year. (317)

Transactions of taxpayers having annual transactions exceeding NPR 25 crore shall be connected to the Central Billing Monitoring System (CBMS). (321)

Problems identified in implementation of the system for refunding 10% of the VAT amount paid via digital medium will be resolved and implemented effectively from Shrawan. (322)

A system shall be developed to provide automated tax clearance certificates with QR code to the taxpayers. (326)

A system shall be developed to ensure that the financial statements submitted to banks and financial institutions are linked with the information submitted in the tax system. (326)

Legal provisions have been made to ensure that payments related to business transactions are deposited only in the bank account of business. (326)

A Transfer Pricing Guideline shall be formulated to reduce tax evasion from activities such as base erosion, profit shifting, and income splitting. (327)

E-assessment and faceless audit system will be implemented. (328)



MAJOR HIGHLIGHTS RELATING TO TAX REVENUE AS PER BUDGET SPEECH

Applicability of VAT on potato, onion, apple, and some other vegetables and fruits have been removed. (330)

Excise duty on liquor, beer, tobacco, and cigarettes have been increased. (330)

Threshold for registration under VAT by businesses engaged in the transaction of goods and services has been increased to NPR. 30 lakhs. (331)

Green tax has been introduced on import of petroleum products and coal. (333)



2. MAJOR AMENDMENTS IN TAX LAWS

2.1. SPECIAL AMENDMENTS MADE BY FINANCE BILL, 2081

SECTION	PROVISIONS
Section 07	Green Tax shall be levied on import of the various goods like petrol, coal, etc. at customs points.
Section 22	<p>Rebates to the person who comes under Tax Bracket</p> <ol style="list-style-type: none"> If a person involved in a taxable transaction without obtaining PAN obtains PAN and submits income return and tax of Income Year 2078/79 and 2079/80 within Falgun end, 2081 applicable fee and interest shall be exempted; Taxes, fees, and interest of other previous income years will be exempted if the Income Return is submitted and tax is deposited as mentioned in subsection (1).
Section 23	<p>Rebates to the taxpayer remaining to submit the Income Returns</p> <p>Taxpayers who have taken PAN but have not submitted the income return can avail the waiver on fees and remaining interest if the income return is submitted and tax along with 25% of applicable interest are deposited within Falgun end, 2081.</p>
Section 24	<p>Rebates to the taxpayer remaining to submit the VAT Returns</p> <p>Taxpayers who are registered in VAT but have not submitted the VAT return up to Ashad end, 2081 can avail the waiver on penalties, additional fees, and remaining interest if the VAT returns, VAT, and 50% of applicable interest are submitted within Falgun end, 2081.</p>
Section 25	<p>Rebates on VAT to international air transport service providers</p> <ol style="list-style-type: none"> If the international air transport service providers registered or not registered in VAT have not collected or submitted the VAT to be collected on the air transport service within the period from 2080 Jeshth 15 to 2080 Aswin end, such VAT, penalties, additional fees, and interest are exempted. International air transport service providers not initiating the flight from Nepal (Offline Airlines) can avail waiver on penalties, additional fees, and interest, if it gets registered in VAT and submits the collected VAT within Ashad End, 2081.
Section 26	<p>Waiver on VAT to the person doing the transaction of the transportation service</p> <ol style="list-style-type: none"> If a person engaging in transaction of renting transportation vehicles or providing transportation services, who was required to be registered for VAT but did not collect VAT either being registered under VAT or without being registered for VAT from 2076 Jeshth 15 to 2078 Jeshth 14, deposit 1 percentage of such transaction within Mangsir end, 2081, remaining tax, additional fee, interest, and penalty shall be exempted. If the tax amount is due after completion of tax assessment on the transaction mentioned in sub-section (1) or such assessment is under administrative review or any other judicial hearings and if such cases are withdrawn and 1



SECTION	PROVISIONS
	percentage of transaction is deposited within Mangsir end, 2081, remaining tax, additional fee, interest and penalty shall be exempted.
Section 27	<p>Waiver on VAT on the local production of potato, onion and apples Due VAT, interest, additional fees, and penalties will be waived to the person doing the transaction of potato, onion, and apples produced locally in Nepal even if the person has not collected the applicable VAT up to Jestha 14, 2081 or Inland revenue office has completed tax assessment on such transaction.</p>
Section 28	<p>Waiver on VAT to the entity providing the credit information If the entity established under section 88 of Nepal Rastra Bank Act 2058 with the objective of providing credit information service to bank and financial institutions licensed by Nepal Rastra Bank, is not registered in VAT, gets registered in VAT within Asad end 2081 and deposits the 50% of VAT to be collected up to that period within Asoj end 2081, then the remaining VAT, penalty, interest and additional fees will be waived.</p> <p>If the tax amount is due after completion of tax assessment on the transaction mentioned in sub-section (1) or such assessment is under administrative review or any other judicial hearings and if such cases are withdrawn and amount defined in sub-section (1) is deposited within Mangsir end, 2081, remaining tax, additional fee, interest and penalty shall be exempted.</p>



2.2. AMENDMENTS IN INCOME TAX ACT, 2058

SECTION	AMENDED PROVISION (2081/82)	EXISTING PROVISION (2080/81)
2(Tra1)	Definition: Contribution Based Retirement Payment "Contribution Based Retirement Payment" means the payments of the amount deposited in approved retirement fund derived from the monthly deduction from remuneration of the employee or workers along with the addition by the employer as retirement contribution and the increment in such amount.	No Provision
2(KaDa)	Definition: Permanent Establishment (5) A place outside Nepal where the person resides and assumes a significant digital presence in Nepal, or a place outside Nepal where a data server is kept and is engaged in the transaction of data or services in Nepal for at least 90 days in a period of last twelve months.	No Provision
10(Ta)	Removed	Amounts earned by Drinking Water and Sanitation Consumer Organizations, registered under the Water Resources Act, 2049, in accordance with its objective.
11(3Tha)	If a Special Industry, Information Technology Industry , or Industry related to Tourism Sector capitalizes its accumulated profit into shares for increase in capacity of the same industry, there shall be full exemption from the dividend tax leviable in distribution of dividends from such capitalization. Clarification: "Information Technology Industry" for this subsection refers to the industries related to technology parks, information technology parks, biotech parks, software development, data processing, digital mapping, business process outsourcing, data mining, cloud computing.	If a special industry or industry related to tourism sector capitalizes its accumulated profit into shares for increase in capacity of the same industry, there shall be full exemption from the dividend tax leviable in distribution of dividends from such capitalization.
21(1)(Kha)	Tax payable under this Act and a fine or similar other fee paid to the government of any country or any local body	Tax payable under this Act and a fine or similar other fee paid to the government of any country or any local body



SECTION	AMENDED PROVISION (2081/82)	EXISTING PROVISION (2080/81)
	<p>thereof for a violation of any law or regulation, byelaw framed thereunder,</p> <p>Provided that tax collected under section 95Ka(7) and not settled within the related income year, tax paid to the provincial government and local level is allowed for deduction as expenses.</p>	<p>thereof for a violation of any law or regulation, byelaw framed thereunder,</p> <p>Provided that tax paid to the provincial government and local level is allowed for deduction as expenses.</p>
21(1)(Nga)	<p>List of expense or amount not allowed for deduction while calculating income from business, employment, or investment:</p> <p>Monthly remuneration exceeding NPR.25,000 per individual not paid through the bank.</p>	No Provision
33(3)	<p>The valuation method of transfer pricing between associated persons under this section shall be as prescribed by the department.</p>	No Provision
57(1)	<p>If the ownership of any entity changes by fifty percent or more as compared to its ownership until before the last three years, the entity shall be deemed to have disposed the property under its ownership or the liability borne by it.</p> <p>However, the provision of this subsection will not be applicable if the capital has been increased through addition of shareholder or partner keeping the number of shares and capital of the existing shareholders or partners same.</p>	<p>If the ownership of any entity changes by fifty percent or more as compared to its ownership until before the last three years, the entity shall be deemed to have disposed the property under its ownership or the liability borne by it.</p>
65(1)	Removed	<p>Clarification: For the purpose of this section, “Contribution-based Interest” means interest related</p>





SECTION	AMENDED PROVISION (2081/82)	EXISTING PROVISION (2080/81)
		to the retirement contribution contributed within the limit as per section 63(3).
76 (6)	The department is bound to take action in accordance with the advance ruling unless the advance ruling issued under subsection (1) is cancelled.	No Provision
81(5)	Notwithstanding anything contained in subsection (4), the department may by publishing a notice instruct the taxpayer, mentioned in the notice, to compulsorily issue invoice through electronic medium and link it to the Central Billing Monitoring System (CBMS).	No Provision
81 (6)	The department shall develop and implement procedure for safety and confidentiality of equipment and software used in issuance of invoice through electronic mediums. Producers, distributors, and users shall comply such procedure.	No Provision
81Ka	<u>Amount related to business transactions shall not be deposited in individual accounts:</u> Any person receiving an amount in cash, cheque, QR Code or through any other electronic medium is not allowed to deposit such amount in individual bank account.	No Provision
88(1)	Proviso 9: In an interest payment by resident bank and financial institutions to the loan received in foreign currency from foreign Banks to invest in the areas as specified by Nepal Rasta bank, at the rate of five percent .	Proviso 9: In an interest payment by resident bank and financial institutions to the loan received in foreign currency from foreign Banks to invest in the areas as specified by Nepal Rasta bank, at the rate of ten percent .
88Ka(2)	Notwithstanding anything contained in sub-section (1), no tax shall be levied on national and international awards of up to five hundred thousand rupees for contributions made	Notwithstanding anything contained in sub-section (1), no tax shall be levied on national and international awards of up to five hundred thousand rupees for



SECTION	AMENDED PROVISION (2081/82)	EXISTING PROVISION (2080/81)
	<p>to literature, art, culture, sports, journalism, science, technology, and public administration.</p> <p>However, if the amount of award is more than five lakh rupees windfall gain tax shall be levied only on the excess amount.</p>	<p>contributions made to literature, art, culture, sports, journalism, science, technology, and public administration.</p>
94(2Ka)	<p>Notwithstanding anything contained in this section, advance tax under section 95Ka shall not paid in installments in case of gain from disposal of Non-Business Taxable Asset.</p>	<p>No Provision</p>
95Ka(7)	<p>Advance tax shall be collected as below at custom point on goods imported, as per the prevailing laws on custom duty, for business purpose:</p> <p>Ka) 10% on the value determined for custom purpose on import of living animals under Chapter 1, meat, and edible offal under Chapter 2, live, fresh, and all types of fish products under Chapter 3, fresh flowers and other products under Chapter 6, edible plants, roots, and stems under Chapter 7, edible fruits, wood fruits and other products under Chapter 8.</p> <p>Kha) 2.5 % percentage on the value determined for custom purpose on import of dairy products, eggs, honey and other products under Chapter 4, food products other than for seed purpose under Chapter 10, falling in Chapter 4, flour, wheat flour and other product under Chapter 11, herbs and sugarcane under Chapter 12 and plant-based products under Chapter 14.</p>	<p>Advance tax shall be collected and recovered at custom point at the rate of 5% on the value determined for custom purpose on import of he-buffalo, buffalo, he-goat, hogget, sheep, mountain goat (chyangra) falling in Chapter 1; live, fresh or frozen fish falling in Chapter 3; fresh flowers falling in Chapter 6; fresh vegetables, potato, onion falling in Chapter 7 and fresh fruits falling in Chapter 8 of HS system and at the rate of 2.5% on import of meat falling in Chapter 2, dairy products, eggs, honey falling in Chapter 4, kodo, fapar, junelo, rice, kanika falling in Chapter 10, flour, wheat flour falling under Chapter 11, herbs and sugarcane falling in Chapter 12 and plant-based products falling in Chapter 14, imported for business purpose.</p> <p>However, advance tax at the rate of 1.5% shall be collected on import of goods on which Value Added Tax (VAT) is applicable.</p>





SECTION	AMENDED PROVISION (2081/82)	EXISTING PROVISION (2080/81)
	However, advance tax at the rate of 1.5% shall be collected on import of goods on which Value Added Tax (VAT) is applicable.	
95(15)	<p>If the department is convinced that the person who is required to collect and deposit tax under this section has not deposited the tax, deposited less tax, or has not deposited tax within prescribed time, order may be given to deposit undeposited tax or less deposited tax and interest under section 119 and charge under section 120.</p> <p>However, a written notice shall be given providing period of 15 days to submit justification for doing such.</p>	No Provision
101Ka	<p>Tax Assessment on assets with unidentified source:</p> <p>(1) If a written notice is received by the department regarding the tax assessment of assets with unidentified source under section 28 of the Money Laundering Prevention Act, 2064, the department shall investigate under such section whether or not he/she has committed a tax-related offense.</p> <p>(2) If, after conducting the investigation under subsection (1), no tax related offence is found, income tax shall be collected from that person at the maximum rate applicable to the income of that year.</p>	No Provision
113(8)	If the amount collected under section 95Ka(7) in an income year is in excess after deduction of tax liability for that income year, the excess amount shall not be allowed to carry forward for upcoming income years or refunded.	No Provision
117(1)(Ga)	If the income return of any income year is not submitted under section 96(1), NPR. 1200 per return (or NPR. 100 per	If the income return of any income year is not submitted under section 96(1), NPR. 100 per month shall be



SECTION	AMENDED PROVISION (2081/82)	EXISTING PROVISION (2080/81)
	<p>month if the period is less than one year) shall be imposed as a charge to the persons defined in section 4(4) and for other persons, higher of 0.1 percent per year of the assessable income (including all the amount that needs to be included and without deducting any amount that can be deducted while calculating income) or NPR. 1200 per return (or NPR. 100 per month if the period is less than one year) shall be imposed as a charge.</p>	<p>imposed as a charge to the persons defined in section 4(4) and for other persons, higher of 0.1 percent per year of the assessable income (including all the amount that needs to be included and without deducting any amount that can be deducted while calculating income) or NPR. 100 per month shall be imposed as a charge.</p>
119Ka	<p>Charge to be Imposed:</p> <p>(1) If a taxpayer, who has obtained approval to issue an electronic invoice under section 81(4) or not, uses software in which the data can be deleted or modified, a charge of NPR. 5 lakhs shall be imposed.</p> <p>(2) If a person engaged in the development, installation, or operation of software or equipment related to electronic invoices doesn't comply with the procedure issued by the Inland Revenue Department, a charge of NPR. 5 lakhs shall be imposed.</p> <p>(3) In case of violation of section 81Ka the lower of NPR. 5,000 or 2% of the total amount shall be imposed as a charge on each monitoring.</p> <p>(4) Except as otherwise provided in this Act, a charge of five thousand to twenty-five thousand rupees shall be imposed to the person who does not comply with any provision of this Act or the Rules framed under this Act</p>	<p>Charge to be Imposed:</p> <p>Except as otherwise provided in this Act, there shall be imposed a charge of five thousand to twenty-five thousand rupees on a person who does not comply with any provision of this Act, or the Rules framed under this Act.</p>



2.3. AMENDMENTS IN VALUE ADDED TAX ACT, 2052

SECTION	AMENDED PROVISION (2081/82)	EXISTING PROVISION (2080/81)
10 Kha1	<p>Registration related provision for nonresident person:</p> <p>(1) Notwithstanding anything mentioned in the Act, a non-resident person providing taxable electronic services or offline air transport services in Nepal of more than 30 lakhs in last 12 months shall be registered in VAT.</p> <p>(2) Registration process of non-resident persons as per subsection (1) shall be as determined by the department.</p> <p>(3) If the non-resident person registered under sub-section (1) closes the business or ceases to do the transaction, the registration shall be canceled according to the procedure determined by the department</p>	<p>Registration related provision for nonresident person providing electronic services:</p> <p>(1) Notwithstanding anything mentioned in the Act, non-resident person providing electronic service business of more than 20 lakhs in last 12 months shall be registered in VAT.</p> <p>(2) Registration procedure for nonresident person involved in electronic service business shall be as determined by the Department.</p> <p>(3) If the nonresident person involved in electronic service business and registered as per sub sec. (1) closes the business or ceases to do the transaction, the registration shall be cancelled according to the procedure determined by the department.</p>
11 (1)(Cha)	<p><u>Cancellation of Registration:</u></p> <p>If the taxable transaction of the taxpayer does not reach fifty lakhs in case of goods, and thirty lakhs in case of services and transaction mixed with goods and services in past twelve months.</p>	<p><u>Cancellation of Registration:</u></p> <p>If the taxable transaction of the taxpayer does not reach fifty lakhs in case of goods, and twenty lakhs in case of services and transaction mixed with goods and services in past twelve months.</p>
18(3)	<p>If the taxpayer who is required to submit the tax return according to this section fails to submit it within 4 months from the date of submission of the tax return, the tax officer may stop the import or export of taxpayer.</p>	<p>No Provision</p>

2.4. AMENDMENTS IN EXCISE DUTY ACT, 2058

SECTION	AMENDED PROVISION (2081/82)	EXISTING PROVISION/CHANGES (2080/81)
2 (Ja1)	“Tobacco Products” means pan masala, gutkha, chewing tobacco or other similar products containing mixture of tobacco or tobacco products for smoking or for consumption by chewing or to be put in mouth and this term also includes cigarette, quid of tobacco (bidi), cigar, electronic cigarette (vape) and hukkah flavor.	“Tobacco Products” means pan masala, gutkha, chewing tobacco or other similar products containing mixture of tobacco or tobacco products for smoking or for consumption by chewing or to be put in mouth and this term also includes cigarette, quid of tobacco (bidi), cigar.
3Ka (4)	Any excise duty paid for goods incurring loss due to fire, theft, accident, destructive incident or remained in stock due to expiry of the date of utility of the good, may be deducted as prescribed by the Department.	Any excise duty paid for goods incurring loss due to fire, theft, accident, destructive incident or expiry of the date of utility of the good, may be deducted as prescribed by the Department.
4Ga (2) (Kha)	If any diplomatic agency, project, person and other governmental or non-governmental organization intends to scrap and cancel the registration of any motor vehicle imported by them under tariff facility ⁶ , which is older than ten years from the year of its production or such old vehicles used by diplomatic agency or diplomatic employees which can't be used further due to accident or technical reason , with the approval of Ministry of Finance such that it cannot be re-used, the excise duty shall not be levied on such motor vehicle.	If any diplomatic agency, project, person and other governmental or non-governmental organization intends to scrap and cancel the registration of any motor vehicle imported by them under tariff facility, which is older than fifteen years from the year of its production, with the approval of Ministry of Finance such that it cannot be re-used, the excise duty shall not be levied on such motor vehicle.
9 (1)	However, no excise duty license shall be required to import excisable goods under the diplomatic facility on the recommendation of the Ministry of Foreign Affair, Government of Nepal and to sell or store or export goods under self-removal system.	However, no excise duty license shall be required to import excisable goods under the diplomatic facility on the recommendation of the Ministry of Foreign Affair, Government of Nepal and to sell or store goods under self-removal system.
9 (6Ka)	For renewal within the timeframe as mentioned in Sub-Section (5), fine equivalent to fifty percent of renewal fee for the first 3 months after expiry of time limit, hundred percent of renewal fee for second 3 months after expiry of first 3	The licensed producers and importers failing to renew the license within the time limit set forth in Sub-section (5), shall, for renewal of license, deposit the fine equivalent of fifty percent of the renewal fees in the first three months after the expiry of time limit and a fine of

SECTION	AMENDED PROVISION (2081/82)	EXISTING PROVISION/CHANGES (2080/81)
	months time limit and two hundred percent of renewal fee for remaining period of the fiscal year shall be levied.	hundred percent of renewal fees in the next three months.
10 Chha	The Excise Duty Officer may at any time examine the content or quality of alcohol in the liquors removed from the factory with approval and in the substances sent for processing for production of liquor at the laboratory of the department or laboratory as prescribed by the department . The alcohol content shall not differ more than one percent or the quality shall not be substantially different.	The Excise Duty Officer may at any time examine the content or quality of alcohol in the liquors removed from the factory with approval and in the substances sent for processing for production of liquor. The alcohol content shall not differ more than one percent or the quality shall not be substantially different.
10Yna1	Use of Excise Ticket: (1) Excise ticket shall be used in excisable goods as prescribed by the department that are produced and exported within Nepal. (2) The format of excise ticket shall be as prescribed by the department.	No Provision
10Ta	Explanation: For the purpose of this section “fake excise duty ticket” means: (1) Not confirming to or different from the security mark or features or quality as approved by the department. (2) Excise duty ticket issued for one industry or entity used by another industry or entity. (3) Excise duty ticket issued for production of one class (category) used for production of another class (category) without the approval of department. (4) Excise duty ticket used once is reused. (5) Having torn, fragmented or false QR code.	No Provision
10Tha	Can be destroyed: (1) The prescribed committee may by determining the quantity destroy following excise duty tickets: excise	No Provision

SECTION	AMENDED PROVISION (2081/82)	EXISTING PROVISION/CHANGES (2080/81)
	<p>duty tickets kept in stock after making decision of not using the same due to not confirming the characteristics or standards as prescribed by the department, excise duty tickets having no cost, covered by dew, covered by fungus, eaten by termite, torn, not suitable for use due to change in mark of Nepal Government, unmatched or missing serial number, unmatched size and shape, partially burned due to fire, damaged due to destructive activities or can't be used due to any other reason.</p> <p>However, in case where quantity of old excise duty tickets can't be ascertained, the committee may destroy the excise duty tickets by raising <i>muchulka</i> of existing status.</p> <p>(2) Date expired tobacco products, cigarettes, beer, wine and other excisable goods that cannot be consumed may be destroyed as prescribed.</p>	
16 (4) (Ta)	If excise duty is not recovered or recovered less during sale of goods and services produced by the entity under Self-Removal System, upon recovering the excise duty leviable, fine of cent percent of the excise duty not recovered or less recovered.	If excise duty is not recovered or recovered less during sale of goods and services under Self-Removal System, upon recovering the excise duty leviable, fine of cent percent of the excise duty not recovered or less recovered.
16 (4) (Dha)	While examining the stock of a licensee producing liquors, cigarettes, tobacco products, molasses, spirit used as raw material for liquor and other substances subject to excise duty, if the stock is found to be more than the goods mentioned in the purchase book or stock book as prescribed in Excise Duty Rules, 2059 (2002) , the Excise Duty Officer may, upon adding the income of such goods and valuating such additional goods at the market value,	While examining the stock of a licensee producing liquors, cigarettes, tobacco products, molasses, spirit used as raw material for liquor and other substances subject to excise duty, if the stock is found to be more than the goods mentioned in the purchase book or stock book as prescribed in Excise Duty Rules, 2059 (2002) , the Excise Duty Officer may, upon adding the income of such goods and valuating such additional goods at the



SECTION	AMENDED PROVISION (2081/82)	EXISTING PROVISION/CHANGES (2080/81)
	impose a fine of cent percent of such value of the additional goods.	market value, impose a fine of cent percent of such value of the additional goods.



2.5. AMENDMENTS IN CUSTOM ACT, 2064

SECTION	AMENDED PROVISION (2081/82)	EXISTING PROVISION/ (2080/81)
34(18)	The audit referred to in this section may be done within two years after the date of clearance of goods. If it is proven that the importer or exporter, by producing false documents, has deposited less custom duty than required, the custom auditor upon approval of Director General, may conduct an audit even after the period of two years .	The audit referred to in this section may be done within four years after the date of clearance of goods. If it is proven that the importer or exporter, by producing false documents, has deposited less custom duty than required, the custom auditor upon approval of Director General, may conduct an audit even after the period of four years .
47 (3)	The concerned Customs Office shall publish a seven-day public notice for taking delivery of the goods which have not been cleared within the period referred to in subsection (2).	The concerned Customs Office shall publish a fifteen-day public notice for taking delivery of the goods which have not been cleared within the period referred to in subsection (2).
49 (Ka)	Goods to be forfeited: Parcels, packets, or containers used to pack or transport such goods other than the container transported through cargo rail .	Goods to be forfeited: Parcels, packets, or containers used to pack or transport such goods.
2 (Fa)	"Customs duty" means customs duty chargeable on goods to be exported or imported in accordance with Customs Tariff Act, 2081 .	"Customs duty" means customs duty chargeable on goods to be exported or imported in accordance with laws .
22 (1)	After determining the customs value in accordance with Section 21, the customs officer shall examine whether the declared goods have been classified in accordance with Customs Tariff Act 2081 . In such examination, the customs officer determines whether the classification is appropriate or not also based on subject matter mentioned in Section 61A (3).	After determining the customs value in accordance with Section 21, the customs officer shall examine whether the declared goods have been classified in accordance with the sub-headings of the relevant Finance Act . In such examination, the customs officer determines whether the classification is appropriate or not also based on subject matter mentioned in Section 61A (3).
	Section Removed	Section 5, 6, 7, 8, 9, 11, 72, 73, 74 and 75

DISCLAIMER

The Institute of Chartered Accountants of Nepal (ICAN) has created and maintains this publication as a service to its members, students, and the stakeholders. The compilation is extracted from Budget Speech 2081/82 and Finance Bill 2081. This publication is intended to provide general information and is not intended to provide or substitute legal or professional advice. This publication has been prepared so that it is current as at the date of writing.



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