

Value Added Tax (21st Amendment) Rules 2076

Exercising power conferred by Section 41 of the Value Added Tax Act 2052, GoN has issued its 21st amendment on the VAT Rules 2076 on Jestha 15, 2076 to be applicable with immediate effect. The summary of the amendments made are as follows:

Reference	Amendment /New/Removed	New Provisions	TRU Comments
Rule 6(ka)(2)	Amendment	As per Rule 6(ka)(2) Government entities, public institutions, associations or registered person shall award contracts or consultancy services exceeding Rs 5 lakhs per annum only from VAT registered vendors replacing the earlier provision of Rs 20 lakhs and Rs 1 lakh for contracts and services, respectively.	The IRD has made taxpayers to avail services only from VAT registered vendors bringing major transactions into the tax net.
Rule 6(ga)	New	During the payment to the contractor or service provider providing goods and/or services being wholly or partially related to Government of Nepal, shall deposit 50% of the VAT amount directly to the IRD on behalf of the supplier and remaining VAT amount shall be paid to the supplier under related heading. The related contractor or service provider should be informed about the tax paid, and the tax paid can be offset with the tax liability of the individual.	The introduction of this provision will have a direct impact on the cash flows of the taxpayer but collections of revenue will increase. The GON may have introduced this rule to enable it to meet the revenue targets as 50% of the taxes are directly deposited in the treasury.
Rule 7 (kha)	New	Registered person shall update registration information in the biometric system by 32 Ashad 2077 in accordance with section 10(ga) of the Act.	This provision has been introduced to address the problem of duplicate and fake tax identities.
Rule 18(1)	Amendment	Notwithstanding anything contained in Rule 17, if any registered person is to sell any goods or services by retail and makes an application, setting out the same, to the concerned Tax Officer, the concerned Tax Officer may give permission to the registered person to issue an abbreviated tax invoice in the format as referred to in Schedule - 6 instead of the tax invoice as mentioned in Rule 17 in selling any goods or services by retail.	The amendment has now made it possible for issue of abbreviated tax invoice for services rendered by the tax payer.
Rule 18(6)	Amendment	The threshold for issue of abbreviated tax invoice has been increased from Rs 5,000 to Rs 10,000 by this amendment.	Abbreviated tax invoices can be issued for a higher value.
Rule 39(5)	Amendment	The threshold for refund of deductible taxes which have become excess because of the monthly exports has been reduced to 40% of total monthly sales against 50% of the total sales.	Incentives has been provided to export oriented industries in getting VAT refund.

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Rule 41(1)(ga)	Amendment	This amendment has made VAT paid on purchase of petrol, diesel and LPG not eligible for input credit against the earlier provision of only VAT paid on petrol for motor vehicles not eligible.	The cost of doing business increased as VAT paid will be additional expenses to the taxpayers. The GON will benefit as it will increase its revenue.
Rule 45(1)	Amendment	The refund of tax, after examining the evidences submitted, has to be made in case of section 24(3) within 60 days and in case of section 24(4) and section 25 within 30 days from the date of application rather than 30 days applicable earlier.	The time for refund under section 24(3) of tax credit carried forward remained unsettled for 4 months has been prolonged meaning that the taxpayers have to wait for additional 30 days before getting a refund.
Rule 45(2ka)	New	VAT paid on purchase of goods & services by diplomats as referred by section 25(1) (ka) & (ka1) of the Act from firms & companies (refund shop) listed in the IRD shall be made within 3 days following the specified procedures.	The refund procedures have been expedited meaning.
Rule 58(ka)	Removed	The appointment of a tax consultant and criteria for qualification has been removed.	
Section 25(1ka) of VAT Act	Amendment	Minimum transaction amount required for the diplomatic delegates or institutions to get VAT refund has been increased from Rs 5,000 to Rs 10,000.	Savings in administrative procedures as well as refund of VAT to the GON. Costs to the missions and institutions increase because of the increase in threshold for refund.

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