

Nepal Budget Statement 2023-24

Highlights



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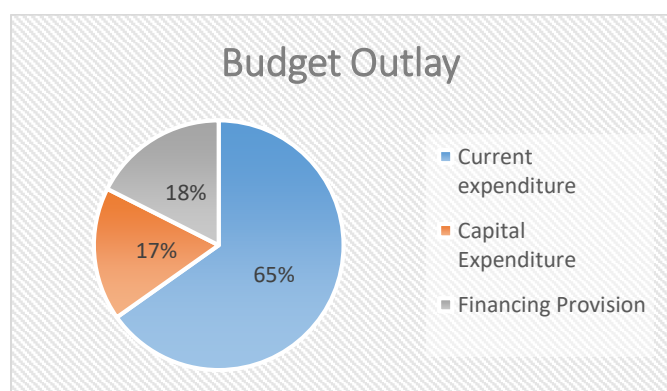
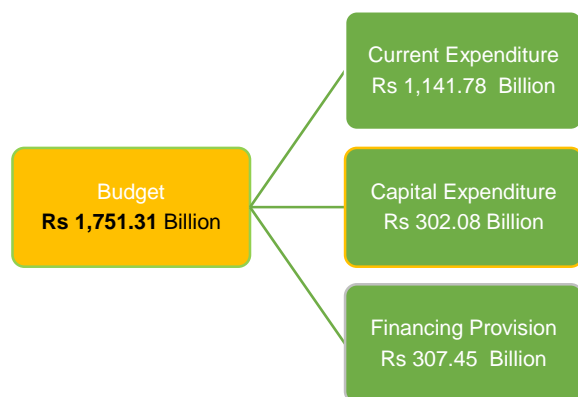
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Nepal Budget Statement FY 2023-24 Highlights

On Monday, 29 May 2023, the Honorable Finance Minister, Mr Prakash Sharan Mahat presented the full budget for the fiscal year 2080-81 (2023-24). The allocation of resources, priorities and significant policy statements of the budget is highlighted in this document.

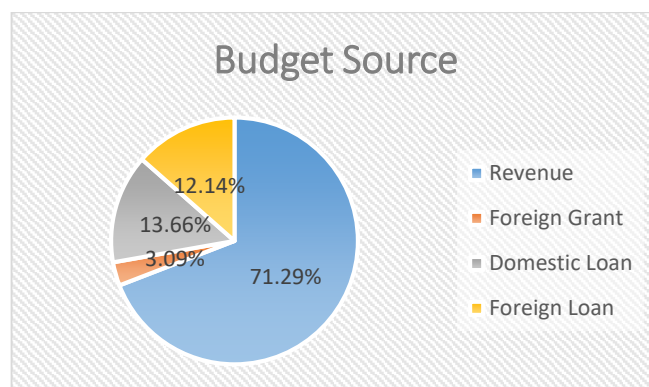
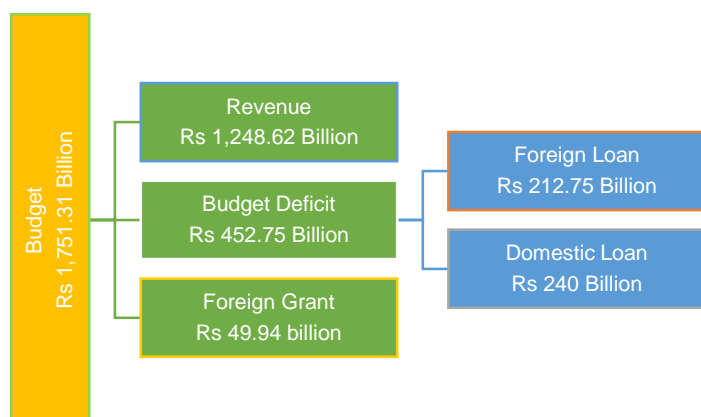
1. Source and allocation of the budget

Allocation of Budget



Out of the total budget, allocation towards financial transfer to province and local government amounts to Rs 408 billion.

Source of Financing



2. Background of the budget

- The Budget for 2080-81 is directed to build a strong economy with high, sustainable and far-reaching economic growth by addressing the problems and challenges seen in the economy of the country, creating a robust economy with the help of sustainable and widespread economic growth lifting the morale of the private sector.
- The budget has aimed to maintain prosperity, good governance and social justice. The budget is oriented towards the promotion of competitive and profitable industries, the development of digital and green economy, encouraging the youths to involve in economic activities within the country, and reducing of poverty by promoting entrepreneurship, protection of public assets, and effective utilization of available resources.
- The budget has aimed to meet the desire of the general public for development and prosperity and bring the marginalized and backward classes, regions, genders and communities to access economic benefits.

3. Objectives of the budget

- To achieve wider, sustainable and inclusive economic growth through a dynamic and vibrant economy.
- Creating a sense of quality social development, security, and justice.
- Lift the morale of the private sector by preparing investment friendly environment and minimization of poverty by creating employment opportunities.
- Creating overall financial stability.
- Empowerment of federalism and good governance.
- Enhancement of effectiveness of public expenditure by improving the budget system.

4. Budget priorities

- Development of agriculture, energy and tourism sector.
- Promotion of Investment, Industrial development and Trade balance.
- Development of social areas and social security.
- Quality physical infrastructure development.
- Promotion of digital and green economy.
- Environmental protection and disaster management.

- Human resource development and creation of employment.
- Improvement of Financial Sector.
- Streamlining financial integration and improvement in service flow
- Improvement in the public financial system.

5. Budget allocation to provincial and local governments

- Arrangements have been made for the distribution of revenue and the transfer of grants so that the matters included in the list of rights of the union, state and local levels are implemented by respective levels. Legal arrangements have been made for the transfer of conditional, supplementary and special grants based on the progress of the work.
- Conditional grant to be provided to ensure that the programs towards the alternative auxiliary highways with an allocation proposal of up to Rs 2.5 million shall be implemented from the respective province and the programs towards intensive urban development and settlement shall be implemented from the respective local governments.
- Financial transfer of Rs 146.02 billion shall be made to the province and local government under Financial Equalization Grants based on the recommendations of the National Natural Resources and Finance Commission.
- Conditional grant of Rs 35.72 billion to the province and Rs 191.89 billion to the local government.
- Supplementary grant of Rs 6.22 billion to the province and Rs 13.27 billion to the local government.
- Special grant of Rs 4.46 billion to the province and Rs 8.73 billion to the local government.
- Rs 173.92 billion is estimated to be transferred to provincial and local governments for revenue distribution.

6. Economic situation

- Economic growth rate for the FY 2023-24 is estimated to be 2.16% whereas the inflation rate for 9 months of the current fiscal year is at 7.76%.
- The balance of payments is Rs 180.17 in savings up to 13 April 2023 (Chaitra end 2079) and the foreign exchange reserves are seen to be sufficient to cover 11 months of goods import and 9.4 months of goods and service imports.
- Remittance flow has increased by 24.2 % up to mid-April 2023 (Chaitra end 2079) and has reached Rs 903 billion.
- Government expenses are expected to be Rs 1,504.99 billion whereas revenue collection is expected to be Rs 1,179.84 billion during the current fiscal year, which is a 9.95% increment as compared to the previous year.
- Government expenses are expected to be utilized as follows:

Area	Rs in Billion	% utilization
Current Expenditure	1,043.39	88.18
Capital Expenditure	258.34	67.91
Financial Management	203.26	88.29

7. Objectives of revenue policy and program for FY 2023-24

A policy shall be formulated to utilize the tax system for economic and social justice. The main objectives of the revenue policy and program shall be to increase investment in education, health and other basic service facilities and to improve the standard of living by expanding the access of citizens, to raise the necessary resources for the infrastructural development of the country and to ensure citizen welfare and socio-economic justice.

The following revenue policy shall be adopted in order to achieve the above-mentioned objective:

- Revenue structure to be transformed from income-based to direct taxes and internal production based.
- Enhancement of entrepreneurship through revenue policy, attracting internal and external investment, and protecting and promoting indigenous industries.
- Improvement in the industrial and commercial environment of the country by ensuring the theoretical stability of the tax policy.
- In addition to the protection of the tax base, executing control over the misuse of the policy loopholes and discouraging all types of informal and illegal economic transactions and expanding the tax base by bringing all taxable activities under the scope of taxation.
- To enhance voluntary tax participation and tax compliance by making the revenue system technology-friendly, automatic, transparent and taxpayer friendly.
- Strengthening the control campaigns for all types of fraud, deception and leakage by establishing effective coordination between the responsible agencies by making necessary legal reforms to control revenue leakage.

8. Reform in the tax system

- A high level committee is to be formed to reform the existing tax system.
- The information on financial transactions is to be integrated and used automatically by maintaining inter-organization between the institutional information systems.
- Amendments made in the exemption list for Value Added Tax in due course by abolishing the excise duty on one-third of the items that are subject to excise duty under the self-removal system.
- VAT registered taxpayers whose annual turnover is up to Rs 10 million shall now be required to file VAT returns every four months.
- Arrangements shall be made for the mandatory issuance of invoices through electronic system and for enrolling the taxpayers with annual transactions above Rs 250 million under Central Billing Management System

(CBMS) by strengthening the information system and further setting the minimum limit of the transaction amount according to the nature of the transaction.

9. Other important announcements

- Remittance bonds will be issued to encourage Nepalese individuals who hold work permits and are employed abroad to use formal channels for inward remittance. The funds received through this process will be utilized for infrastructure development.
- An allocation of Rs 11.59 billion has been made for interest subsidy, aimed at restructuring and providing continued interest subsidies for activities such as enhancing production, creating internal employment, and promoting entrepreneurship.
- The "Nagarik Pension Yojana" will be operated through the Citizen Investment Trust to encourage self-employed individuals to participate in future pension schemes.
- A minimum of 1% of the total capital budget will be dedicated to research, innovation, and invention. Additionally, Rs 1 billion has been reserved for establishing a separate fund to support research, innovation, and invention. Necessary laws will be formulated to govern the operations of the fund, and provinces and local governments will be encouraged to contribute to it.
- The country will foster a start-up ecosystem to promote innovation and entrepreneurship. The "Kathmandu Incubation Centre" will be established to cultivate an entrepreneurial culture, and Private Equity & Venture Capital (PEVCs) will be incentivized to invest in start-ups. Rs 1.25 billion has been set aside to support start-ups.
- No fees will be charged for establishing a new company or increasing the capital of an existing company. Companies can be registered with a minimum paid-up capital of Rs 100 only.
- Necessary arrangements will be made for the "Country Credit Ratings" of Nepal.
- An "Infrastructure Fund" will be established to enable private investors to finance infrastructure projects. Various Public-Private Partnership (PPP) tools, such as the Hybrid Annuity Model (HAM) and Viability Gap Funding (VGF), will be introduced.
- Hedging facilities will be made available to foreign investors.
- The Nepal Telecom Authority will levy registration fees of Rs 10,000 for iPhones and mobile phones worth over Rs 1 lakh, Rs 3,000 for other smartphones, and Rs 200 for other phone sets for the use of such phones to be registered under the MDMS until May 29, 2023 (Jestha 15, 2080). Users can pay a lump sum fee by July 16, 2023 (Ashad end, 2080), along with including the IMEI number of the mobile phone set, to complete the registration process. However, no registration fees shall be levied on Nepalese citizens who had gone for foreign employment by obtaining an approved work permit and have returned to Nepal after spending at least six months.

10. Major changes and improvements in the tax system

Income Tax

- There has been an update to the existing tax slab for calculating remuneration income tax for resident natural persons. The change applies to remuneration income exceeding Rs 5,000,000. Applicable tax rates on the income of a resident individual in any income year shall be as tabulated below:

Taxable Income (in Rs)		Applicable Tax Rates
Single	Couple	
Up to 500,000	Up to 600,000	1%*
Next 200,000	Next 200,000	10%
Next 300,000	Next 300,000	20%
Next 1,000,000	Next 900,000	30%
Next 3,000,000	Next 3,000,000	36%
Above 5,000,000	Above 5,000,000	39%

**This is the Social Security Tax to be deposited in a separate revenue account (11211) provided for this purpose. However, taxpayer registered as a sole proprietorship or on pension income or on income from contribution-based pension fund shall not attract social security tax i.e. 1%. And if the taxpayer is depositing the amount in the Social Security Fund (SSF) then for those taxpayers Social Security Tax is not applicable.*

- There has been a revision in the applicable advance tax rate, as per section 95A, that is to be collected from relevant banks, financial institutions, and money transfer institutions. This applies to resident natural persons who are not engaged in business operations but receive payment in foreign currency for providing the following services outside Nepal.

Nature of Service	Applicable Advance Tax Rate	
	Existing Rate	For FY 2023-24
Software or similar type of other electronic services [95A (6)(b)]	1%	5%
Consultancy Services [95A (6)(c)]	1%	5%
For uploading audio-visual content on social media [95A (6)(d)]	1%	5%

Note: Since the revised rate of 5% has been included in Schedule 1 (2) (4A) thus it is the final rate of tax.

- A new section 6(e) has been inserted in section 95A wherein a resident electronic business operator (e-commerce operator) shall collect advance tax at the rate of 1% while making payment of the amount to a person associated with their platform for the sale of goods, services, or goods and services through its platform.
- If a natural person receives a lump sum payment for past years due to employment after a court case has been settled, accounting for tax purposes shall be done on an accrual basis in the relevant income year and not on cash basis.

- The proviso clause of section 89(3) has been withdrawn and as an impact TDS shall be applicable on payment made to non-resident for purchase of arms and ammunitions, weapons, and communication equipment for self-use by Nepal Army, Nepal Police and Armed Police Force.
 - Proviso clause has been added to section 95A (7) which implies that advance tax of 1.5 % shall be collected on the import of goods attracting VAT.
 - The word “Entities involved in Financial Transaction” has been added after the word “General Insurance Business” in Schedule 1(2) to include all such entities carrying out financial transactions under the corporate tax rate of 30%.
 - There are no revisions in the applicable tax rate on transactions, except exempt transactions of Co-operatives registered under Co-operatives Act, 2074.
- The applicable tax rate on transactions for the Credit Co-operatives registered under Co-operatives Act, 2074 dealing in saving has been added as follows:

Operational Area	Applicable Tax Rates from FY 2023-24
Municipality Level	10%
Sub-Metropolitan Level	15%
Metropolitan Level	20%

- Revision in the presumptive tax rates:

Particulars	FY 2023-24 (Rs)	FY 2022-23 (Rs)
Vehicle Tax*		
Minibus, Mini Truck, Water Tanker	8,000	6,000
Mini Tripper	9,000	7,000
Truck and Bus	10,500	8,000
Dozer, Excavator, Roller, Loader, Crane and similar machinery	15,500	12,000
Oil tanker, Gas bullet, Tipper	15,500	12,000
Car, Jeep, Van, Micro Bus		
(a) 0 to 1300 cc	5,500	4,000
(b) 1301 to 2000 cc	6,000	4,500
(c) 2001 to 2900 cc	6,500	5,000
(d) 2901 to 4000 cc	8,000	6,000
(e) 4001cc and above	9,000	7,000
Three Wheeler, Auto Rickshaw, Tempo	2,500	2,000
Tractor	2,500	2,000
Power Tiller	2,000	1,500

- Introduction of Presumptive tax on Electronic Vehicle from FY 2023-24:

Electronic Vehicle with engine capacity	FY 2023-24 (Rs)
(a) 0 to 50 KW	3,000
(b) 50 to 125 KW	4,000

Electronic Vehicle with engine capacity	FY 2023-24 (Rs)
(c) 125 to 200KW	6,000
(d) 200 KW and above	7,500

- TDS@ 5% shall be applicable on the interest for the loan received in foreign currency from an international bank and other international financial institutions by reservoir or semi-reservoir-based hydropower projects generating above 200 MW of energy, and attaining financial closure by mid-April 2024 (Chaitra end 2082) (PY: TDS Exempt u/s 88 (4)(kha2))
- Revision in TDS rate from 5% to 6% on interest on deposits, bonds, debentures, and government bonds to any natural person for the deposit, a resident bank, financial institution, cooperative, or any other body issuing bonds, or a company listed in accordance with prevailing laws.
- TDS@ 1.5% shall be applicable in case of payment made to transportation service providers, registered under the Value Added Tax (VAT).

Concessions for business income

Industries	Concession
Special Industry as defined in section 11 of the Income Tax Act	
(Section 11(1)) Income derived from the agriculture business, vegetable dehydration business and cold store business by registered firm, companies, partnerships and organized institutions.	50% rebate on the applicable tax rate. (PY: 100% rebate on the applicable tax rate)
Section 11(3gha)(ka) Income derived by a person licensed for production, transmission, or distribution of electricity produced from hydropower, solar, wind, and biological substances by mid-April 2028 (Chaitra end 2084) (Period extended from Chaitra end 2083 to Chaitra end 2084)	100% tax exemption for the first 10 years from the date of commencement of commercial production or transaction and 50% exemption for the next 5 years.
Section 11(3gha)(ka) Income derived from a reservoir or semi-reservoir-based hydropower projects generating above 40 MW of energy, as well as the tandem operation of hydropower plants for harnessing renewable energy and attaining financial closure by mid-April 2029 (end of Chaitra 2085) (Period extended from Chaitra end 2083 to Chaitra end 2085)	100% tax exemption for the first 15 years from the date of commencement of commercial production or transaction and 50% for the next 6 years.

Industries	Concession
Special Industry as defined in section 11 of the Income Tax Act	
<i>Section 11(3nga)(ga)-Newly inserted – Additional</i> Foreign currency earned from the export of Business Processes Outsourcing, software programming, and cloud computing services.	Eligible for 50% tax exemption on income earned in foreign currency up to the fiscal year 2084/85. (PY: It was special rate of 1% tax mentioned in the Finance Act)

- The additional concession available on top of the existing concession specified in section 11 (2kha) (ka) and (kha) for the income derived by special industries in their full year of operation for a fiscal year has been removed as per the provisions of Section 11 (2kha) (ga). However, the same provision has now been added to Section 11 (5).

Customs Duty

- Additional fee for under declaration of goods on which custom duty is not applicable:

If the customs officer discovers that the importer has undervalued goods for which custom duty is not chargeable, but agricultural improvement duty or excise duty is applicable, an additional fifty percent of the agricultural improvement duty or excise duty shall be imposed on the undervalued amount.

- Amendment in the existing provision for option of issuance of license either from the custom department or office now restricted to custom department only.

Major changes in Customs Duty rates

- Revisions in the custom rates applicable on the goods:

Description of Goods	Existing Rate (%)	Revised Rate (%)
Cardamom (Ground and not ground)	10	20
Mixture of note(b) of chapter 9 (Mixed spices)	15	20
Poppy seeds (1207.91.00)	10	30
Beet sugar (1701.12.00) Sakhhar (Gud and vally), gudgatha (1701.13.10), Khandasari sugar(1701.13.20), others (1701.13.90) and Sakhhar (Gud and vally), gudgatha (1701.14.10), khandasari sugar(1701.14.20), containing added flavoring or coloring matter (1701.91.00), sugar candy (1701.99.10) sugar cube (1701.99.20) and other (1701.19.90)	40	30
Tapioca (Sabu Dana) (1903.00.00)	5	10
Tobacco	20	30
Protein concentrates and textured protein substances (Dalmot and Namkeens) (2106.10.00)	20	30
White Oil/Liquid Paraffin Oil	15	20

Description of Goods	Existing Rate (%)	Revised Rate (%)
(2710.19.95)		
Composite LPG Gas Cylinder (3923.90.10)	30	5
Registers, account books, note booksand (4820.10/20/90.00)	20	30
Folders and Files Cover (4820.30.00)	15	30
Outer soles and heels of rubber or plastics (6406.20.00) has been increased from 10% to 20% and in others (6406.90.00)	15	20
Photograph, frames and mirrors (8306.30.00)	10	20
Microbuses (From 11 to 14 seats) (8702.40.30)	1	10

- Custom duty on electric car, jeep and van on the basis of pickup power has been set as follows:

Motor Pickup Power (Kw) on unassembled	FY 2079/80	FY 2080/81
Less than 50	10%	10%
50 - 100	10%	15%
100 - 200	15%	20%
200 - 300	45%	40%
More than 300	40%	60%

Excise Duty

Major changes in Excise Duty rates

- Excise duty on vein or sugarcane juice that comes out when sugar is made, molasses has been increased from Rs 96 to 105 per quintal.
- Excise duty on un-denatured ethyl alcohol of an alcoholic strength by volume of 80% vol. or higher has increased by Rs 4 per liter.
- Increase in excise duty rate by Rs 50, Rs 39 and Rs 35 per liter for alcoholic beverage containing level of alcohol 48.5%, 42.8%, 39.94%, respectively.
- Excise duty on cigarettes containing tobacco without a filter has increased from Rs 710 per m to Rs 730 per m.
- Increase in the excise duty imposed on the filtered cigarettes of 70 mm by Rs 55 per meter, of 70-75 mm by Rs 75, of 75-85 mm by Rs 90 and cigar rates greater than 85 mm by Rs 115.
- New inclusion of 5 excise duty on the beard trimmer and razor blades.
- Excise duty levied on cutlery items (knives, scissors, forks, hairclips, paper cutter, spoons, forks, ladles, skimmers, cake tong) at 5 percent.
- Excise duty imposed at 5 percent on the automatic data processing machines, and their units, optical readers, data transcribing and processing machines.
- Revision of excise duty on goods where excise duty is levied based on the Volume (Ltr) of the goods:

Description of Goods	Existing Rate per Ltr	Revised Rate per Ltr
Fruit juice, including orange juice, grapefruit, pineapple, tomato, apple, cranberry, and mixture of juices	11	13
Non-alcoholic beer	30	35
Beer made from malt	228	235
All kinds of alcoholic fluids including spirits used as a raw material of wine or brandy, Vodka, Gin and Geneva	228	235
Homogenized and reconstituted tobacco	460	475
Tobacco intended for unburned inhalation, reconstituted tobacco, products containing nicotine, or nicotine substitutes	460	475
Pan masala without tobacco	821	850
Scented areca nuts without tobacco	350	365

- Revision of excise duty on goods where excise duty is levied based on the weight (Kg) of the goods

Description of Goods	Existing Rate per Kg	Revised Rate per Kg
Pasta, whether or not cooked or stuffed (with meat or other substance)	17	20
Kurkure, kurmure, lays, cheese ball	17	20
Potato chips	17	18
processed tobacco for cigarette and beedies	343	350
homogenized and reconstituted tobacco	460	475
tobacco intended for unburned inhalation, reconstituted tobacco, products containing nicotine, or nicotine substitutes	460	475
Pan masala without tobacco	821	850
scented areca nuts without tobacco	350	365

- Excise duty on motorbikes (including mopeds) with reciprocating internal combustion piston engine of a cylinder capacity:

Cylinder capacity (cc)	Excise Duty (%)
250-400	60
400-500 (unassembled)	60
400-500 (other)	80

- Excise duty on electric vehicles (car, jeep, van) with various KW pickup power shall be charged as below:

Pick up Power (KW)	Excise Duty (%)
50 - 100	10
100 - 200	20

- Revision of excise duty on goods where excise is levied as percentage of the transaction value of the goods:

Description of Goods	Existing Rate (%)	Revised Rate (%)
Cashew nuts (including the peels)	15	10
Telephones used for cellular network or wireless network	2.5	5
Microphones and stands	10	15
Optical fiber cable	10	15
Excise duty on motorbikes (including mopeds) with reciprocating internal combustion piston engine of a cylinder capacity exceeding 200 cc but not exceeding 250 cc	80	60

Value Added Tax

- The VAT rate of 13% remains unchanged.
- Regardless of whether a person is registered under the VAT Act or not, if they hire or receive carriage/transport services from an unregistered person, they are required to assess and collect tax on the taxable value as per the provisions of this act and the rules established under it. This should be done at the time of payment or receipt of the service, whichever occurs earlier.
- If a person obtains an ineligible refund of VAT under the diplomatic VAT refund outlined in Section 25(1) (Ka), (ka1), and (Ka2) through an automated electronic medium, a penalty of 25% on the taxable amount can be imposed by the tax officer.
- The Finance Bill 2080 has introduced significant changes in Schedule 1 of the VAT Act 2052 removing various items (goods and services) from the schedule to and shall now attract VAT. Some of the goods and services on which VAT shall now be applicable are:
- Air Travel Service, Hire Charges on Transportation Services, Carriage Service and local Cargo Service
 - Aircraft (e.g. helicopters, airplanes); spacecraft (including satellites) and suborbital and spacecraft launch vehicles
 - Aircraft launching gear, deck-arrestor or similar gear, ground flying trainers; parts of the foregoing articles
 - Frozen greens vegetables, frozen sweet corn, frozen potatoes, Coffee (Roasted, unroasted, decaffeinated, and beans), avocados, kiwis,
 - Trekking and tour package related service,
 - Woolen carpets and its weaving, dying, washing and knitting,
 - Various goods imported by Nepal Army, Nepal Armed Police Force and Nepal police.

Major Amnesty announced in Finance Bill 2080

a) *Waiver of pending tax and the interest*

Pending tax and the applicable interest up to FY 2063-64 assessed up to 15 July 2008 (Ashad end 2065) shall be waived to the extent Rs 50,000 per record (lagat).

b) *Waiver of fees and interest for payment of taxes on bonus distributed from premium collected on Further Public Offerings (FPOs)*

Entities that failed to include dividend income from shares issued at a premium through FPO for the distribution of bonus shares in their income up to FY 2078-79, as required by section 56(3) of the Income Tax Act, 2058, will have the opportunity to avail the waiver on fees and applicable interest. This waiver will be granted if the applicable tax is paid by 16 December 2023 (end of Mangsir, 2080).

c) *Waiver of fees and interest on bargain purchase gain in merger and acquisition*

Entities that failed to include bargain purchase gains from merger and acquisition in their income up to FY 2078/79 will have the opportunity to avail waiver of the fees and interest. This waiver will be granted if the applicable tax is paid by 16 December 2023 (end of Mangsir, 2080).

d) *Tax exemption for Media House Business*

A concession of 25% shall be provided on applicable tax chargeable to business income for the financial year 2079/80 for a resident person carrying out Media House Business.

e) *Waiver of tax, fees and interest relating to business of securities, land and real estate*

A natural person engaged in the regular business of securities, land, or real estate, who has not yet submitted business income details or filed tax returns for the financial years 2019-20 (2076-77) to 2021-22 (2078-79), will be eligible for a waiver of the remaining 50% of tax, fees, and interest. To qualify for this waiver, the individual must declare the business income and pay 50% of the tax amount as per the Income Tax Act, 2058, by April 12, 2024 (end of Chaitra, 2080).

f) *Tax exemption to person conducting foreign employment or educational consultancy service business*

Persons engaged in the Foreign Employment or Educational Consultancy Services business, who have failed to declare their actual domestic or foreign income or pay the correct amount of tax in previous years, will be eligible for a waiver of fees and interest. This waiver will be granted if the outstanding tax is paid along with the necessary declaration by 12 April 2024 (end of Chaitra, 2080).

g) *Waiver of VAT for eye Hospitals*

Eye hospitals, engaged in VAT applicable transactions, whether registered or not, will have the remaining 95% VAT, interest, additional fees, and penalties waived if they make a payment of 5% of the transaction value between the period from FY 2019-20 (2076-77) to 28 May 2023 (Jestha 14, 2080) by 17 October 2023 (Ashwin end, 2080).

Additionally, the VAT liability, along with applicable interest, fees, and penalties for the period prior to FY 2019-20 (2076-77), will be fully waived. This waiver also applies to cases where payment is due after tax assessment or cases pending under administrative review or revenue tribunal, provided the cases are withdrawn at the respective levels.

h) *Waiver of charges, interest, and additional fees for Non-Resident Persons*

Non-resident persons providing electronic services with an annual turnover exceeding Rs 2 million will be eligible for a waiver of charges, interest, and additional fees if they obtain a PAN number and file VAT returns for the period up to 15 June 2023 (Jestha end, 2080) by 10 July 2023 (Ashad 25, 2080). This provision also applies to non-resident people who have already obtained a Permanent Account Number.

i) *Waiver of VAT for hire purchase business*

The applicable VAT, interest, additional fees, and penalties will be waived off for persons involved in the hire purchase business who have not collected and deposited value-added tax in the past. They will need to pay 2% of the total amount of taxable transactions from the financial year 2017-18 (2074-75) to 2020-21 (2077-78) by 16 December 2023 (Mangsir end, 2080). This will also result in the waiver of taxes, additional fees, interest, and penalties for the preceding financial years. The same waiver facility applies to cases where payment is due after tax assessment up to FY 2020-21 or cases pending under administrative review or in legal proceedings in other judicial bodies, provided the cases are withdrawn at the respective levels.

j) *Waiver of VAT for NGOs*

Non-governmental organizations registered under the Organization Registration Act, 2034, that have received grants or donations from donor agencies or international non-governmental organizations, will be eligible for a waiver of the assessed value-added tax, additional charges, interest, and fines. To avail this waiver, the NGOs must file an application to the relevant Internal Revenue Office by 16 December 2023 (Mangsir end, 2080), in cases where payment is due after tax assessment or the case is pending under administrative review or revenue tribunal after the cases are withdrawn at the respective levels.

k) *Waiver of outstanding VAT for construction business*

Fees, additional charges, and penalties will be waived for persons involved in the construction business registered under the VAT Act 2052, who have not submitted the returns or paid the applicable VAT up to 13 April 2023 (Chaitra end, 2079). To avail of this waiver, the person must furnish the VAT return and pay the outstanding VAT and 50% of the applicable interest by 14 January 2024 (Poush end, 2080). The waiver facility also applies to persons involved in construction businesses who have furnished returns up to 13 April 2023 (Chaitra end, 2079) without depositing the applicable VAT amount.

l) *Waiver of VAT for carriage/transportation business*

Persons involved in the business of carriage/transport services requiring registration under the VAT Act, 2052, but have not paid the VAT amount due to non-registration, will be eligible for a waiver of the remaining VAT, additional fees, interest, and penalties.

To avail this waiver, they must pay 5% of the total value of taxable transactions of the relevant taxable period by 14 January 2024 (Poush end, 2080). This waiver also applies to cases pending under administrative review or in legal proceedings in other judicial bodies, provided the payment of 5% of the total value of taxable transactions of the relevant taxable period, as assessed, is made by 14 January 2024 (Poush end, 2080).

m) Waiver of VAT for herbal industries

Herbal industries, registered or not registered under VAT, conducting taxable transactions under the VAT Act, will have the remaining 95% VAT, interest, additional fees, and penalties waived if they make a payment of 5% of the transaction value between FY 2014-15 (2071-72) to 28 May 2023 (Jestha 14, 2080) by 14 January 2024 (Poush end, 2080). This waiver also applies to cases where payment is due after tax assessment or cases pending under administrative review or in legal proceedings in other judicial bodies, provided the cases are withdrawn at the respective levels.

n) Special provisions for milk-based beverage industry

Waiver of delayed fees and penalties will be provided to milk-based beverage industries, whether licensed under the self-removal system of excise duty or not, if they register for excise duty (if not already registered), file the return, and pay the duty for transactions up to 13 April 2023 (Chaitra end, 2079) by 17 October 2023 (Asoj end, 2080). This waiver facility is also available on the withdrawal of cases pending under administrative review or in legal proceedings in other judicial bodies, and for filing the return and paying the duty for transactions up to 13 April 2023 (Chaitra end, 2079) by 17 October 2023 (Asoj end, 2080) as assessed against the industries.

Newly Introduced Fees and Amendment in Existing Fees

- Luxury fee shall be levied at the rate of 2% on purchase amount of the below mentioned luxury goods and services consumed in Nepal:
 - Services provided by five star and above hotels and luxury Resorts (on availment of service)
 - Imported liquors (at custom port)
 - Diamond, Pearls, Stones studded gold or precious metal jewelries worth more than 1 million (at the time of sale)
- Foreign Tourism Fees shall be levied at the rate of 5% on the payment made by Nepali Tourist going abroad from FY 2023-24.
- A person licensed to conduct foreign employment business shall file Foreign Employment Service Fee at the rate of 1% of the amount collected from the person going for foreign employment. Such amount will be spent for the benefit of the person going for foreign employment
- Education service fees to be collected from students going abroad for higher education has been increased from 2 % to 3% of the foreign exchange facility availed from the BFIs.

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