

TAX RATES

FOR

FY 2080-81 (2023-24)



Important Disclaimer

All information contained within this document is believed to be correct at the time of publication. While utmost care has been taken in its compilation, no responsibility will be accepted for any inaccuracies, errors or omissions. This publication should not be regarded as offering a complete explanation of any matter contained within it.

This publication has been compiled and distributed exclusively for the information of clients and staff of PKF T R Upadhy & Co. with an understanding that the firm is not responsible for the results of any actions which are undertaken on the basis of the information which is contained within this publication, nor for any error in, or omission from, this publication. The firm expressly disclaims all and any liability and responsibility to any person, entity or corporation who acts or fails to act as a consequence of any reliance upon the whole or any part of the contents of this publication.

Accordingly, no person, entity or corporation should act or rely upon any matter or information as contained or implied within this publication without first obtaining advice from an appropriately qualified professional person or firm of advisors and ensuring that such advice specifically relates to their particular circumstances.

PKF T R Upadhy & Co is a member of a network of legally independent member firms administered by PKF International Limited (PKFI). Neither PKFI nor the member firms of the network generally accept any responsibility or liability for the actions or inactions on the part of any individual member firm or firms. Copyright subsists in this work. No part of this work may be reproduced in any form or by any means without the publisher's written permission.

© 2023 PKF T R Upadhy & Co.

All rights reserved. Use Approved With Attribution

Income Tax Rates FY 2023-24

1. Personal Income Tax

1.1 For residents: natural person

Tax Banding	Tax Rates			
	FY 2023-24 (FY 2080-81)		FY 2022-23 (FY 2079-80)	
Single				
(a) Band 1	First 500,000	1%*	First 500,000	1%*
(b) Band 2	Next 200,000	10%	Next 200,000	10%
(c) Band 3	Next 300,000	20%	Next 300,000	20%
(d) Band 4	Next 1,000,000	30%	Next 1,000,000	30%
(e) Band 5	Next 3,000,000	36%**	Remaining above 2,000,000	36%**
(f) Additional Tax	Remaining above 5,000,000	39%***		
 Couple				
(a) Band 1	First 600,000	1%*	First 600,000	1%*
(b) Band 2	Next 200,000	10%	Next 200,000	10%
(c) Band 3	Next 300,000	20%	Next 300,000	20%
(d) Band 4	Next 9,00,000	30%	Next 900,000	30%
(e) Band 5	Next 3,000,000	36%**	Remaining above 2,000,000	36%**
(f) Additional Tax	Remaining 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, taxpayers registered as sole proprietors or on pension income or 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.

** 36% is computed as 30% plus an additional 20% on such tax rate applicable to taxable income above Rs 2,000,000 and upto Rs 5,000,000.

***39% is computed as 30% plus an additional 30% on such tax rate applicable to taxable income above Rs 5,000,000.

Note:

A. Deductions on Income	Remarks
Natural persons working in remote areas are entitled to Remote Area Allowance	Additional deduction from taxable amount up to Rs 50,000. (A-50,000, B-40,000, C-30,000, D-20,000, E-10,000).
Natural person with pension income included in the taxable income	Additional deduction equal to 25% of the amount prescribed under the first tax band or actual pension receipts, whichever is lower shall be allowed from taxable income.
Incapacitated natural person	Additional deduction from the taxable amount equal to 50% of the amount prescribed under the first tax band or actual income whichever is lower.
B. Reduction in Income	
Life insurance premium	A natural person who has procured life insurance and paid the premium amount thereon shall be entitled to a deduction from the taxable income the lower of the actual annual insurance premium or Rs 40,000.
Medical insurance	A natural person who has been insured with a resident insurer/insurance company for health insurance shall be entitled to a deduction from the taxable income the lower of the actual premium paid or Rs 20,000.
Insurance of private building	A resident natural person who has insured a private building in his/her ownership with a resident insurer/insurance company shall be entitled to a deduction of the actual annual premium paid for such insurance or Rs 5,000 whichever is lower.

A. Deductions on Income	Remarks
Contribution to Approved Retirement Fund	In case of contribution to the Social Security Fund (SSF) - 1/3rd of taxable income or Rs 500,000 or Actual contribution whichever is lower. In case of contribution to other approved retirement funds but not in SSF - 1/3rd of taxable income or Rs 300,000 or Actual contribution whichever is lower.
C. Foreign Allowances	
In case of the employee employed at the foreign diplomatic mission of Nepal	Only 25% of the foreign allowances are to be included in the income from employment.
D. Tax Exemption	
Compensation received against a deceased natural person	Any compensation received against the deceased natural person is not required to be included in income.
E. Rebated on tax liability	
Foreign tax credit	If any resident person has paid tax on income outside Nepal, such person can claim the foreign tax credit and while claiming such credit each country has to be considered separately. The amount of credit shall be lower of i. The total foreign income included in assessable income in Nepal as multiplied by the average rate of tax on total income or ii. The actual tax paid in a foreign country.
Medical Tax Credit	Resident Natural Person is entitled to Medical Tax Credit at least of following amounts i. Rs 750 or ii. 15% of Medical Expenses along with any carried forward from the previous year or iii. Actual tax liability
Female Tax Credit	In the case of natural person is female and having only remuneration income, tax credit of 10% on the tax liability shall be available.
F. Income Tax Return Filing	
<ul style="list-style-type: none"> A natural person with only gains from the disposal of Non-Business Chargeable Assets (NBCA), may opt not to file the income tax return under Section 96. A natural person other than a sole proprietor with income solely from income from vehicle on hire is not required to file the income tax return. However, a natural person having taxable income exceeding Rs 4 million during an Income Year shall submit an income return under Section 96. A resident natural person having only income as per subsection 6(Kha), 6(Ga), 6(Gha) of section 95 (ka) shall not be required to file an income tax return. 	

1.2 For non - residents

#	Nature of Transaction	FY 2023-24	FY 2022-23
a.	Income earned from normal transactions	No change	25% flat rate on taxable income
b.	Income earned providing shipping, air transport or telecom services, postage, satellite and optical fiber project	No change	5%
c.	Income earned providing shipping, air transport or telecom services within the territory of Nepal	No change	2%
d.	Repatriation of profit by Foreign Permanent Establishment	No change	5%

1.3 Special provisions for a resident natural person

#	Particulars	FY 2023-24	FY 2022-23
a.	Income earned by a natural person engaged in a special industry under Section 11 for the whole year	No change	Tax @ 20% on taxable income for which a tax rate of 30% is applicable.

#	Particulars	FY 2023-24	FY 2022-23
b.	Income earned from export by a natural person	Tax @ 15% on taxable income for which tax rates of 20% and 30% applicable. Additional 50% rebate for export income from manufacturing has been withdrawn by Finance Ordinance 2080.	Tax @ 15% on taxable income for which tax rates of 20% and 30% applicable. In the case of export income from manufacturing, an additional 50% rebate on the tax amount derived after applying the above concessional rate
c.	Taxable income of a trust: - acquiring an estate of a deceased resident individual; or - of an incapacitated resident individual for an income year.	No change	Tax rate as applicable to Natural persons

1.4 Special provision for small taxpayers - resident natural person

- Presumptive taxpayer:** The small taxpayer (resident natural person) having business taxable income and business transactions not exceeding **Rs 300,000** and **Rs 3 million** respectively during the income year and who meets other criteria of the presumptive taxpayer shall pay presumptive tax as mentioned in Note 2 below.
- Transaction based taxpayer:** Similarly, the small taxpayer (resident natural person) who are required to pay tax based on the business turnover and having business taxable income and business turnover not exceeding **Rs 1 million** and **Rs 10 million** respectively during the income year and who meets other criteria of the transaction-based taxpayer shall pay tax on the basis of turnover as below in addition to the tax computed as per Note 2 below. :

#	Natural person engaged in	FY 2023-24		FY 2022-23	
		Turnover exceeding Rs 3 million and up to Rs 5 million	Turnover exceeding Rs 5 million and up to Rs 10 million	Turnover exceeding Rs 3 million and up to Rs 5 million	Turnover exceeding Rs 5 million and up to Rs 10 million
a.	Gas, cigarette business doing transactions with 3% margin or commission	No change	No change	0.25%	0.30%
b.	Other persons except those involved in the business as above (a)	No change	No change	1%	0.80%
c.	A person engaged in service business except for the doctor, engineer, auditor, player, actor or consultant.	No change	No change	2%	2%

Note 1: Conditions for transaction-based taxation:

- Person is a resident natural person.
- Person having only Nepal source business income.
- Having business turnover exceeding **Rs 3 million and upto Rs 10 million** and having **taxable business income up to less than Rs 1 million**.
- Not having income from consultancy or specialized services such as those provided by a doctor, engineer, auditor, lawyer, player, actor or consultant.

Note 2: For turnover up to Rs 3 million (Presumptive Taxpayer)

Particulars	FY 2023-24	FY 2022-23
Metropolitan, Sub-Metropolitan	No change	Rs 7,500*
Urban Municipality	No change	Rs 4,000*
Rural Municipality	No change	Rs 2,500*

Conditions for Presumptive Tax Payer

- a) Person is a resident natural person.
- b) Person having only Nepal source business income.
- c) Has not claimed a medical tax credit under section 51 and advance tax credit under section 93.
- d) Having taxable business income not exceeding **Rs 300,000** and business turnover not exceeding **Rs 3 million**.

2. Corporate Income Tax

2.1 Tax rates for entity - company/firm/industry

	Particulars	FY 2023-24			FY 2022-23
		Normal Rate	Rebate	Applicable Rate*	Applicable Rate*
1	Normal business	25%	-	25%	25%
2	Entities operating as Special Industry under section 11 for the whole year	25%	20%	20%	20%
3	Entities constructing and operating ropeway, cable car or sky bridge	25%	40%**	15%**	15%
4	Entities constructing and operating roads, bridges, tunnels, railways, and airports	25%	50%**	12.5%**	12.5%
5	Entities operating trolley buses or trams	25%	40%**	15%**	15%
6	Entities with export income from source in Nepal	25%	20%	20%	20%
7	Entities involved in construction or operation of public infrastructure and to be transferred to the GoN or involved in the construction of hydropower house and its generation and transmission.	25%	20%	20%	20%
8	Banks and financial institutions (Commercial Banks, Development Banks and Finance Companies)	30%	-	30%	30%
9	Entity carrying General insurance business (Non-life Insurance)	30%	-	30%	30%
10	Entities involved in financial transactions [Newly added term in the list of 30% tax rate]	30%	-	30%	-
11	Entity engaged in petroleum business under Nepal Petroleum Act, 2040	30%	-	30%	30%
12	Entity engaged in the business of cigarette, tobacco, cigar, chewing tobacco, pan masala, alcohol and beer	30%	-	30%	30%
13	Entity engaged in Telecommunication and Internet service	30%	-	30%	30%
14	Entity engaged in Money transfer	30%	-	30%	30%
15	Entity engaged in Capital market business, Securities business, Merchant banking, Commodity futures market, Securities and Commodity broker	30%	-	30%	30%

*Above industry-wise applicable tax rate is presented after considering the concession available under section 11 of the Income Tax Act (ITA) except for entities falling under tax holiday period. However, in the case of special industries and industries other than those presented above, the entity can choose any one tax concession available under section 11 of ITA (summarized in point 2.2 below).

**Above rebate and applicable tax rates with respect to entities constructing and operating ropeways, cable cars, Sky Bridge, roads, bridges, tunnels, railways, and airports, trolley buses, and trams are applicable only up to 10 years from the date of commercial operation.

2.2 Tax concessions and rebates on business income

In the given section, AR stands for Applicable Rate which should be used in the context of Special Industry as the rate after 20% concession given under Section 11(2Kha) and NR stands for Normal Rate in the context of industry / business other than Special Industry

	Particulars	FY 2023-24	FY 2022-23
1.	Concessions based on employment provided		
	Special industries and information technology industries providing direct employment to 100 or more Nepalese citizens throughout the year	No change	*10 % of AR / NR
	Special industries and information technology industries providing direct employment to 300 or more Nepalese citizens throughout the year	No change	*20% of AR / NR
	Special industries and information technology industries providing direct employment to 500 or more Nepalese citizens throughout the year	No change	*25% of AR / NR
	Special industries and information technology industries providing direct employment to 1000 or more Nepalese citizens throughout the year	No change	*30% of AR / NR
* Additional 10% concession is provided if direct employment is provided to 100 or more Nepalese citizens including at least 33% of women, oppressed or handicapped person.			
2.	Concessions to Special industries based on geographical locations		
	- Special industries established in very undeveloped areas	No change	90% of the AR (for 10 yrs from the date of commercial production)
	- Special industries established in undeveloped areas	No change	80% of the AR (for 10 yrs from the date of commercial production)
	- Special industries established in less developed areas	No change	70% of the AR (for 10 yrs from the date of commercial production)
	- Income derived by special industries established in Karnali province and hilly districts of the far western province providing direct employment to more than 100 Nepalese citizens	No change	100% tax exemption for the first 15 years from the date of commencement of commercial production or transaction.
3.	Concessions to Special industries based on investment amount		
	- Special industry and tourism industry (except casino) established with a capital investment of Rs 1 billion or more and providing direct employment to more than 500 persons throughout the year	No change	100% exemption for the first five years from the date of operation of the business and 50% concession for the next 3 years
	- For the existing special and tourism industry (except casinos) that increases its installed capacity at least by 25% to reach a capital of Rs 2 billion, and provides direct employment to more than 300 persons throughout the year	No change	100% concession for the first 5 years and 50% concession for the next 3 years on income generated due to increased capacity
	- Industry related to the tourism industry or international flight operation established with a capital investment of more than Rs 1 billion.	No change	100% concession for 5 years from the commencement of business and 50% concession for the next 3 years
	- Industry related to the tourism industry or international flight operation established with a capital investment of more than Rs 3 billion.	No Change	100% concession for 10 years from the commencement of business and 50% concession for the next 5 years
	- Industry related to the tourism industry or international flight operation established with a capital investment of more than Rs 5 billion.	No Change	100% concession for 15 years from the commencement of business

	Particulars	FY 2023-24	FY 2022-23
4.	Concessions to industry established in SEZ		
	- Industry established in 'Special Economic Zone' in mountain areas or hill areas by the GON	No change	100% exempt up to 10 years from the date of operation of the business and 50% rebate in subsequent years
	- Industry established in 'Special Economic Zone' other than the above locations	No change	100% exempt up to the first 5 yrs from the date of operation and 50% rebate in subsequent years
	- Dividends distributed by the industry established in special economic zone	No change	100% exempt for the first 5 years and 50% rebate in subsequent 3 years
	- Income derived by the foreign investors from investing in 'Special Economic Zone' (Source of income-use of foreign technology, management service fee and royalty)	No change	50% of NR
	- Special industries in operation after establishment in or relocation to Industrial area and industrial gram.	No Change	50% rebate on AR for the first 3 years from the production date after establishment or relocation and 25% rebate for the next 5 years
5.	Concessions based on establishment in special area		
	- Entity established in zoological, geological, Biotech park and IT Park engaged in Software development, or data processing, or Cyber Café, or Digital Mapping	No change	50% on NR
	- Special industries in operation after relocation from Kathmandu valley to outside valley	No Change	100% exemption shall be provided for 3 years and 50% rebate for the next 2 years from the date of such relocation and operation.
6.	Concession related to hydropower project		
	- Person or entity having a license to generate, transmit or distribute electricity shall be provided concession if the commercial operation commences before mid- April 2027 (Chaitra end 2083) . (Period extended from Chaitra end 2083 to Chaitra end 2084) (Provisions shall be applicable for electricity generated from solar, wind or organic material)	No change	100% exempt up to 10 years and 50% rebate in subsequent 5 years from the date of commercial production
	- Reservoir or semi reservoir-based hydropower projects generating above 40 MW of energy and in the case of lower coastal hydropower projects operated in tandem and managing financial closure by mid-April 2029. (Period extended from Chaitra end 2083 to Chaitra end 2085)	No Change	100% exempt for the first 15 years from the date of commencement of commercial transactions and a 50% rebate for the next 6 years
7.	Concession to Petroleum Industry		
	- If a person is involved in the exploration and extraction of minerals, petroleum products, natural gas, and fuel and starts commercial operation by BS 2080 Chaitra end.	No change	100% exempt up to 7 years and 50% rebate in subsequent 3 years
8.	Other Specific concessions		
	- On capitalization of accumulated profit through bonus share by Special Industry or industry related with tourism for expansion of capacity of the industry	No change	No tax on dividend distribution

	Particulars	FY 2023-24	FY 2022-23
	- Income from export of goods manufactured by manufacturing-based industry having source in Nepal during any income year. [Since clause (Ga) of Subsection (3Nga) of Section 11 has been replaced to remove additional 50% rebate for export income by manufacture based industry, it has significant impact on income tax to such industry]	Additional 50% rebate on AR has been removed by Finance Ordinance 2080	Additional 50% rebate on AR.
	- Export income earned in foreign currency from Business Processes Outsourcing, software programming, cloud computing services including service income based on Information Technology. [Finance Ordinance 2080: As per the replaced clause (ga) of Subsection 3Nga of Section 11 of ITA]	Eligible for 50% tax exemption on applicable tax rate from such export income earned in foreign currency up to the fiscal year 2084/85 BS (FY 2027/28 AD). [New replaced Provision]	It was special rate of 1% tax mentioned in the Finance Act
	- Income of Manufacturing Industry, tourism service industry and hydropower generation, distribution and transmission industry listed in the capital market and entities mentioned in section 11 (3 Ga)	No change	15% on AR/NR
	- Private company with a capital of Rs 50 crore or more which conducts its operation by converting into a public company	No change	10% on AR / NR for 3 years from the date of conversion
	- Domestic tea production and processing industry, Dairy industry, Garments industry	No change	50% on AR
	- Health institutions operated by a community-based organization	No change	20% on NR
	- Micro entrepreneurial industry	No change	100% on NR for 7 years from the date of operation.
	- Micro entrepreneurial industry under the entrepreneurship of woman	No change	100% on NR for 10 years from the date of operation
	- Industry established in very undeveloped and undeveloped areas producing brandy, wine, cider from fruits	No change	40% and 25% in case of very undeveloped and underdeveloped areas respectively on NR for 10 years from the date of operation
	- Royalty from the export of intellectual asset by a person	No change	25% on NR
	- Income from the sale of the intellectual asset by a person through transfer	No change	50% on NR
	- Income derived by the agriculture and forest based cooperatives registered under Cooperatives Act 2074 and the cooperatives operating in a rural municipality	No Change	100% tax exemption as well as no tax on dividend distribution
	- Income generated from agriculture business, vegetable dehydration business and cold store business by registered firms, companies, partnerships, and organized institutions	50% rebate on AR	100% rebate on AR
	- Income earned from the sale of raw materials or subsidiary raw materials manufactured in Nepal to special industries in Nepal	No Change	20% rebate on AR
	- Income derived by startup business as prescribed by IRD having annual turnover up to Rs 10 million based on innovative knowledge, skills, technology and methods.	No Change	100% tax exemption for the first 5 years from the date of commencement of the transaction.
	- Industry engaged in the manufacture of new products by using only used materials that have a direct impact on the environment as its raw materials.	No Change	50% rebate on AR for the first 3 years from the date of commencement of transactions and 25% for the next 2 years

	Particulars	FY 2023-24	FY 2022-23
	- Industry engaged in the manufacture of medical vaccines, oxygen gas and sanitary pad	No Change	100% tax exemption for the first 5 years from the date of start of the production and 50% rebate for the next 2 years
	- Income generated by industry established within mid-July 2025 (Ashad 2082) for manufacturing or assembling electric vehicles	No Change	40% tax exemption for the first 5 years from the date of commencement of the commercial transaction.
	- Income generated by industry was established within mid – July 2025 (Ashad 2082) to manufacture agricultural tools.	No Change	100% tax exemption for the first 5 years from the date of commencement of the production.

Note:

1. If any entity is entitled to more than one benefit under section 11 of the Income Tax Act, 2058 only one benefit shall be availed. 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).
2. "Special industry" refers to all the manufacturing industries as classified in section 3 of the Industrial Enterprises Act, 2076 (Annex 10) except the industry related to the manufacturing of cigarette, bidi, cigar, chewing tobacco, tobacco, gutkha, pan masala other products having the main ingredient as tobacco, alcohol, beer and other such related products but includes agriculture, forestry and mineral industries.

3. Special Provisions

	Particulars	Remarks
a.	Tax rate for cooperatives	The cooperatives operating in Rural Municipalities for income other than exempt income taxes are to be levied at 5%, 7% and 10% for cooperatives operating in municipalities, sub-metropolitan and metropolitan, respectively. Provided, for cooperatives involved in the transaction of loans and deposits, taxes are to be levied at 10%, 15% and 20% for cooperatives operating in municipality, sub-metropolitan and metropolitan, respectively.
b.	Tax exemption to mutual fund	Income of mutual funds approved by the Securities Board of Nepal (SEBON) derived in line with its objective shall be exempted from tax.
c.	Tax exemption to Not for profit educational institute	Income of a non-profit motive educational institution established based on the letter of understanding with GON or related body shall be exempted from tax.

4. Allowable Deductions

	Particulars	FY 2023-24	FY 2022-23
a.	Donations to tax exempt organizations	No change	Up to Rs 100,000 or 5% of the adjusted taxable income whichever is lower.
b.	Expenses incurred for conservation or promotion of historical, religious or cultural heritage, or for construction of public sports infrastructure shall be allowed as a deduction from taxable income up to the prescribed limit.	No change	a. On prior approval of IRD b. Actual incurred up to Rs 1 million or 10% of assessable income whichever is lower.
c.	Contribution to Prime Minister Relief Fund or National Reconstruction Fund established by GoN	No change	Actual amount of contribution
d.	Seed capital up to Rs 100,000 each contributed for up to 5 startups not related to the contributor shall be allowed as a deductible expense.	No Change	Allowable as a deductible expense for tax purposes

5. Tax Payment

5.1 Advance tax to the normal taxpayer

	Particulars	Installment Amount
a.	Up to Poush end	40% of the estimated tax
b.	Up to Chaitra end	70% of the estimated tax
c.	By Ashad End	100% of the estimated tax*

* Amount to be paid under each installment is 90% of the amount of estimate or revised estimate payable as the installment of tax for each installment period for the year reduced by the amount of each installment paid by the person for an income year.

Note: It is not required to pay advance tax if the tax payable is less than Rs 7,500.

5.2 Advance tax to the taxpayer based on turnover

	Particulars	Installment Amount
a.	Up to Poush end	Tax at the rate specified on the actual transaction up to the 20 th of Poush.
b.	Up to Ashad end	The remaining amount of tax is calculated at the rate specified on the estimated transaction amount at Ashad end based on the actual transaction up to the 20 th of Ashad.

6. Taxation to Small Taxpayer

6.1 Presumptive taxation

Particulars	FY 2023-24	FY 2022-23
Vehicle Tax*		
Minibus, Mini Truck, Water Tanker	Rs 8,000	Rs 6,000
Mini Tripper	Rs 9,000	Rs 7,000
Truck and Bus	Rs 10,500	Rs 8,000
Dozer, Excavator, Roller, Loader, Crane and similar machinery	Rs 15,500	Rs 12,000
Oil tanker, Gas bullet, Tipper	Rs 15,500	Rs 12,000
Car, Jeep, Van, Micro Bus		
(a) 0 to 1300 cc	Rs 5,500	Rs 4,000
(b) 1301 to 2000 cc	Rs 6,000	Rs 4,500
(c) 2001 to 2900 cc	Rs 6,500	Rs 5,000
(d) 2901 to 4000 cc	Rs 8,000	Rs 6,000
(e) 4001cc and above	Rs 9,000	Rs 7,000
Three Wheeler, Auto Rickshaw, Tempo	Rs 2,500	Rs 2,000
Tractor	Rs 2,500	Rs 2,000
Power Tiller	Rs 2,000	Rs 1,500
Electric Vehicle		
(a) 0 to 50 KW	Rs 3,000	No provision
(b) 50 to 125 KW	Rs 4,000	
(c) 125 to 200KW	Rs 6,000	
(d) 200 KW and above	Rs 7,500	

Rates for natural persons (Small Tax Payer) having turnover from business not exceeding Rs 3 Million and taxable income not exceeding Rs 300,000 (Refer to criteria below in Note # below)		
	FY 2023-24	FY 2022-23
<i>Metropolitan, Sub-Metropolitan</i>	Rs 7,500	Rs 1,875
<i>Urban Municipality</i>	Rs 4,000	Rs 1,000
<i>Rural Municipality</i>	Rs 2,500	Rs 625

Note:

*Schedule 1(1) (13): If the owner of the vehicle is a natural person (other than a registered individual firm), the tax so paid shall be final.

Criteria for presumptive taxpayers (resident natural person)

- Person is a resident natural person.
- Person having only Nepal source business income.
- Has not claimed a medical tax credit under section 51 and advance tax credit under section 93.
- Having taxable business income not exceeding **Rs 300,000** and business turnover not exceeding **Rs 3 million**.

8. Tax Withholdings

8.1 Tax withholding rates (TDS)

#	Nature of Transaction	FY 2023-24	FY 2022-23
i.	Interest income from the deposit under 'Micro Finance Program', 'Rural Development Bank', 'Postal Saving Bank & Cooperative (u/s-11(2)) in rural areas is exempted from tax	No change	Up to Rs 25,000
ii.	Windfall gains	No change	25%*
iii.	Payment of rent except for house rent to a natural person and except provided in the serial number (iv) & (v) below, made by resident person**	No change	10%
iv.	Payment for vehicle hire to VAT registered person	No change	1.5%
v.	Payment for freight or rental payment against the lease of carriage vehicle relating to the carriage of goods.	2.5% against non vat invoice 1.5% for vat invoice	2.5%
vi.	Profit and gain from the transaction of commodity future market	No change	10%
vii.	On returns to be distributed by Mutual Fund: - Natural person - Other than Natural Person	No change	5% 15%
viii.	On Dividend paid by the resident company and partnership firm - To Resident person - To Non-resident Person	No change	5% for both
ix.	On payment of gain from investment insurance	No change	5%
x.	On payment of gain from an unapproved retirement fund	No change	5%
xi.	On payment of interest or similar type having source in Nepal by Resident Bank, Cooperatives, financial institutions or debenture issuing entity, or listed company - In case of payment made to natural person [not involved in any business activity] - In case of payment made to entities	6% No change	5% 15%
xii.	- On payment of premium to the non-resident insurance company - On payment of commission relating to reinsurance premium to the non-resident insurance company	No change	1.5%
xiii.	Payment against-contract or agreement to the non-resident person.	No change	5%
xiv.	On payment exceeding Rs 5 million made towards the works done through the consumer committee	No change	1.5%
xv.	Contract payments exceeding Rs 50,000	No change	1.5%

#	Nature of Transaction	FY 2023-24	FY 2022-23
xvi.	Payment of consultancy fee/ for procurement of services: - by a resident person against VAT invoice - by a resident person against Non-VAT invoice	No change	1.5% 15%
xvii.	On payment for use of Satellite, Bandwidth, Optical fiber, telecommunication equipment or electricity transmission by a resident person irrespective of its location	No change	10%
xviii.	On payment of commission	No change	15%
xix.	On payment of interest by resident BFIs on loans availed in foreign currency from foreign banks or other financial institutions to invest in the areas as specified by NRB.	No change	10%
xx.	Payment of registration fee, educational fee, or exam fee to foreign colleges and universities.	No change	5%
xxi.	On payment of interest on deposit to a life insurance company by resident banks and financial institutions.	No change	5%
xxii.	On payment to non-resident person for the purchase of weapons, bullets and communication equipment for self-use by the Nepal Army, Nepal Police and Armed Police Force.	Proviso clause removed and thus TDS applicable @ 5%	No TDS
xxiii.	On payment of interest on loans availed in foreign currency from foreign banks or other foreign financial institutions by the reservoir or semi reservoir-based hydropower projects producing above 200 MW of energy and managing financial closure by mid-April 2026 (Chaitra end 2082).	5%	No TDS
xxiv.	On payment of royalty to resident person for literary article or composition.	No change	1.5%

8.2 Rates of advance taxes

#	Nature of Transaction	FY 2023-24	FY 2022-23
i.	a) Gain on disposal of Interest in any resident entity (listed in the stock exchange) <ul style="list-style-type: none"> - To a resident natural person <ul style="list-style-type: none"> a. Listed Shares held for more than 365 days b. Listed Shares held for 365 days or less than 365 days - To resident entity - Others (including a non-resident person) b) Gain on disposal of Interests in any resident entity (unlisted) <ul style="list-style-type: none"> - To a resident natural person - To resident entity - Others (including a non-resident person) 	No change No change No change No change No change	5% 7.5% 10% 25% 10% 15% 25%
ii.	On import of items under <ul style="list-style-type: none"> - Custom Banding Category 1 (Live Animals), - Custom Banding Category 3 (Live, Fresh and Iced Fishes) - Custom Banding Category 6 (fresh flowers), - Custom Banding Category 7 (Fresh vegetables, potato, onions, dry vegetables, garlic, baby corn), - Custom Banding Category 8 (Fresh Fruits) 	No change	5%
iii.	On import of items under <ul style="list-style-type: none"> - Custom Banding Category 2 (Meat), - Custom Banding Category 4 (Dairy products, egg, honey), - Custom Banding Category 10 (kodo, phappar, junelo rice and kanika) - Custom Banding Category 11 (Maida, aatta and pitho) - Custom Banding Category 12 (medical herbs and sugarcane) - Custom Banding Category 14 (plant produces) 	2.5% for non-Vatable and 1.5% for Vatable items	2.5%
iv.	Banks and financial institutions providing foreign exchange facilities for payment to foreign institutions for conducting language and Standardized examinations of the student going to study abroad.	No change	15%

#	Nature of Transaction	FY 2023-24	FY 2022-23
v.	If any person receives payment in foreign currency for providing software and similar other electronic facilities outside Nepal, BFIs and Money Transfer shall deduct advance tax.	No change	1%
vi.	If any resident natural person not involved in business operation receives payment in foreign currency for providing software and similar other electronic facilities outside Nepal, BFIs and Money Transfer shall deduct advance tax.	5%	1%
vii.	If any resident natural person not involved in business operations receives payment in foreign currency for consultancy service outside Nepal, BFIs and Money Transfer shall deduct advance tax.	5%	1%
viii.	If any resident natural person not involved in business operation receives payment in foreign currency for audio visual upload on social media, BFIs and Money Transfer shall deduct advance tax.	5%	1%
ix.	If any resident individual who is involved in the business as a digital business operator (E-commerce operator) on 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	1% [New provision]	No provision
x.	Gain on Disposal of land or land & building: - Owned by an individual for over 5 years - Owned by an individual for up to 5 years	No Change	5% 7.5%
	- Owned by a person other than individual * The land or land and building or building disposed at proceeds less than Rs 1,000,000 do not fall under the category of non-business chargeable assets (NBCA). These taxes are withheld by the Land Revenue Office on the sale amount.	No change	1.5%

*Windfall gain tax of 25% will be exempted for the reward up to Rs 500,000 received on behalf of contribution in the field of literature, art, culture, sports, journalism, science and technology and general administration.

8.3 Applicability of TDS

#	Nature of transaction	FY 2023-24	FY 2022-23
i.	Payment for question setting, answer evaluation	No change	15%
ii.	Payment made by a natural person relating to activities other than business activities	No change	No TDS
iii.	Payment for articles published in Newspaper	No change	No TDS
iv.	Interest paid to the resident bank and other financial institutions	No change	No TDS
v.	Interregional interchange fee paid to the credit card issuing bank	No change	No TDS
vi.	Interest or fees paid by the GON under a bilateral agreement	No change	No TDS
vii.	Tax exempt payment or TDS deductible u/s 87	No change	No TDS
viii.	Incentive paid to the consumer for making payment against purchase of goods or services through electronic wallet such as e-money, Mobile banking	No change	No TDS
ix.	Payment of interest on the loan between the cooperative bank and cooperative institutions.	No change	No TDS

8.4 Final withholding payments

#	Nature of transaction	FY 2023-24	FY 2022-23
i.	On dividend paid by the resident company and Partnership firm - To Resident person - To Non-resident Person	No change	5% for both
ii.	Payment of freight for transportation of goods or vehicle rental payment made to a resident natural person.	No change	10% [in case of vehicle rental] 2.5% [in case of freight for transportation of goods]
iii.	On payment of gain in investment insurance by resident natural Person	No change	5%
iv.	On payment of gain from an unapproved retirement fund	No change	5%
v.	On payment of interest or similar type having source in Nepal to natural person [not involved in any business activity] by Resident Bank, financial institutions or debenture issuing entity, or listed company	No change	5%
vi.	Windfall gains	No change	25%*

9. Fines and Penalties

Section	Circumstance	FY 2023-24	FY 2022-23
117(1)(Ka)	Estimated Income Tax Return under Section 95(1) not filed by the taxpayer	No change	Rs 5,000 or 0.01% of the assessable income whichever is higher
117(1)(Kha)	Advance Withholding Tax Return under Section 95Ka(5) not filed by an advance tax withholding agent	No change	1.5% p.a. on the amount of tax to be withheld
117(1)(Ga)	Income Tax Return under Section 96(1) not filed <i>If the ITR is filed within the period of extension the fine under Section 117(Ga) is not attracted, otherwise fine is attracted from the due date for filing the ITR irrespective of the extension obtained.</i>	No change	Person under Section 4(4): Rs 100 p.m. Others: Higher of: Rs 100 p.m.; or 0.1% p.a. on the amount of inclusions
117(1)(Gha)	Financial Statement is not submitted within the prescribed time by entities under Section 2(Dha) (<i>Exempt Entity</i>)	No change	0.1% p.a. on the amount of receipts
117(2)	Fails to maintain proper documentation for an income year as required by Section 81	No change	For the year during which the documentation is not maintained, calculated as: Higher of Rs 1000; or 0.1% of the amount of inclusions
117(3)	Withholding Tax Return under Section 90(1) not filed by the tax withholding agent	No change	2.5% p.a. on the amount of tax to be withheld
118(1)(Ka)	Installment tax to be deposited under Section 94 is not made as prescribed	No change	15% p.a. on the outstanding amount

Section	Circumstance	FY 2023-24	FY 2022-23
119(1)	Failure to Pay Tax on or before the date on which the tax is payable. <i>Section 119(2): For the purposes of calculating interest payable under Section 119(1), any extension granted under Section 98 is ignored.</i>	No change	15% p.a. on the outstanding amount
119(4)	In case tax has not been paid within the date allowed under Section 110A <i>Payment of the outstanding tax in installments</i>	No change	An additional 5% p.a. is levied on the arrears
119Ka	Except as otherwise provided in this Act, a person who fails to comply with this Act or the Rules framed hereunder	No change	Rs 5,000 to Rs 25,000
120(Ka)	Makes a false or misleading statement or omits from a statement made to the Department any matter or thing without which the statement is false or misleading in a material particular, knowingly or recklessly to the Department	No change	100% of the amount of tax short paid
120(Kha)	Makes a false or misleading statement or omits from a statement made to the Department any matter or thing without which the statement is false or misleading in a material particular, but not knowingly or recklessly to the Department	No change	50% of the amount of tax short paid
121	A person who knowingly or recklessly aids or abets another person to commit an offense under Chapter 23 (<i>Section 123 to Section 130</i>), or counsels or induces another person to commit such an offense	No change	100% of the underpayment of tax

Note: The rate in the above schedule is applied on the highest integer month basis i.e. part of a month is counted as a month

10. Appeal to Revenue Tribunal

Taxpayers shall deposit the total undisputed tax amount and 50% of the disputed amount including fees and penalty as a security deposit or arrange an equivalent bank guarantee for filing an appeal to the revenue tribunal. On the calculation of such deposit or equivalent bank guarantee amount, 25% of the disputed amount deposited at the time of administrative review shall also be included.

11. Other Taxes and Fees

11.1 Education service fees

- Collected from students going abroad for higher education at 3% (previous year 2%) of the foreign exchange facility availed from the BFIs.
- Interest shall be charged to the BFI at the rate of 15% per annum for the delay in deposit of education service fees. In case the student is unable to go abroad for his/her studies due to any circumstances and the amount is refunded by the foreign educational institution, then education service fees collected on such amount shall be refunded.

11.2 Infrastructure development tax

Collected for infrastructure development at customs point from petrol and diesel imported into Nepal at Rs 10 per liter.

11.3 Road construction charges

Collected on import or production of vehicles at the rates specified in Annex 3 of the Finance Bill 2080.

11.4 Road maintenance and improvement charges

Collected for maintenance and improvement of roads at Rs 4 and Rs 2 per liter of petrol and diesel imported into Nepal.

11.5 Film development fees

Collected by the cinema halls on the exhibition of foreign films at rates given in Annex 4 of the Finance Bill 2080.

11.6 Pollution control fees

Collected on the petrol and diesel sold within Nepal at Rs 1.50 per liter.

11.7 Telephone ownership fees

Collected from consumers for new connection or ownership transfer of fixed-line at Rs 500 per connection. Collection for mobile phones will be at 2% of the value of the recharge card.

11.8 Telecommunication service charge

Collected from consumers of telephone, mobile and internet service by the telecommunication service providers at **10%**. This charge is not applied to interconnection charges and up to 50% of the maintenance charges of fixed broadband service charges.

11.9 Casino royalty

Collected from licensed casino operators per license at **Rs 50 million** per annum and **Rs 15 million** per annum for gaming through modern machines and equipment only.

11.10 Digital service tax

Collected on digital service provided by a non-resident to Nepalese customers at 2% on transaction value. However, such tax shall not be applicable on annual transactions up to Rs 2 million.

11.11 Luxury Fees [Newly introduced by Finance Bill 2080]

Collected at the rate of 2% on the 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 availing the service)
- Imported liquors (at custom port)
- Diamond, Pearls, Stones studded gold, or precious metal jewellery worth more than Rs 10 Lakhs (at the time of sale)

11.12 Foreign Tourism Fees [Newly introduced by Finance Bill 2080]

Collected at the rate of 5% on the payment made by Nepali tourists going abroad.

11.13 Foreign Employment Service Fees [Newly introduced by Finance Bill 2080]

A person licensed to conduct foreign employment business shall collect Foreign Employment Service Fee at the rate of 1% of the amount collected from the person going for foreign employment. Such amount shall be spent for the benefit of the person going for foreign employment.

right people
right size
right solutions