

Nepal Budget Statement 2024-25

Highlights





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 PKF Global, the network of member firms of PKF International Limited, each of which is a separate and independent legal entity and does not accept any responsibility or liability for the actions or inactions of any individual member or correspondent firm(s). 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.

© 2024 PKF T R Upadhy & Co.

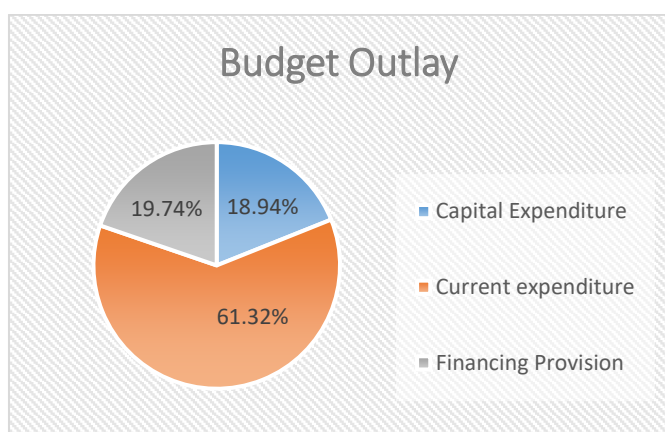
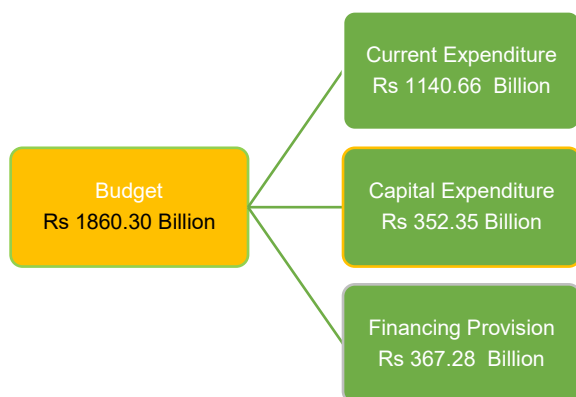
All rights reserved. Use Approved With Attribution.

Nepal Budget Statement FY 2024-25 Highlights

On Tuesday, 28 May 2024, the Honorable Finance Minister Mr Barsha Man Pun presented the full budget for the fiscal year 2081-82 (2024-25). The allocation of resources, priorities and significant policy statements of the budget is highlighted in this document.

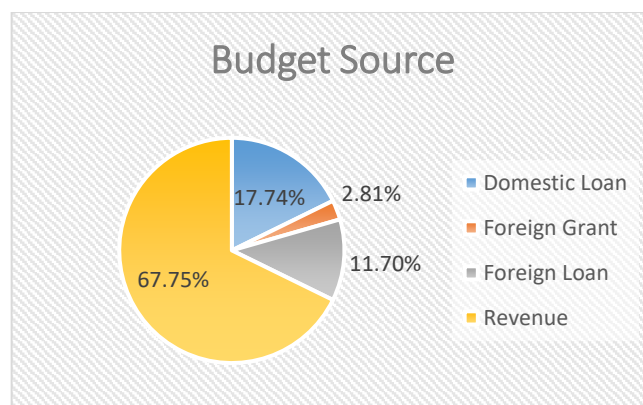
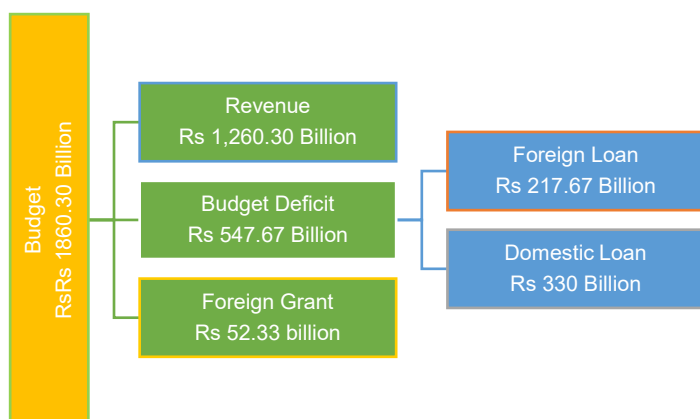
1. Source and allocation of the budget

Allocation of Budget



Out of the total budget, allocation towards financial transfer to province and local government amounts to Rs 567.82 billion

Source of Financing



2. Background of the budget

- The budget for the fiscal year 2081-82 is proposed to instill confidence and hope in the common citizen by addressing the challenges seen in the economic and social sectors. It declares the fiscal year as the year of economic reforms to fulfill the national aspirations of a Prosperous Nepal and Happy Nepalese.
- The budget is aimed at bringing about real improvements in the lives of citizens in line with the goals of the 16th plan approved by the Government of Nepal. The focus is on promoting good governance, social justice, and prosperity. Several economic reforms were proposed given the strategy to be adopted after being promoted to the level of developing countries in 2026, international commitment to achieve sustainable development goals by 2030, and the national goal of reaching the level of middle-income.
- The budget aims to implement transformative agricultural sector reforms and declare the period 2081 to 2091 as the "agricultural investment decade". It also aims to boost energy sector development, information technology, tourism promotion, entrepreneurship and industrial development. The goal is to promote social welfare and create employment opportunities.

3. Objectives of the budget

- To increase Production, Productivity and Employment.
- Increase Investment and accelerate economic activity by boosting the morale of the Private sector.
- Developing Human Resources.
- Alleviating economic inequality and poverty by mobilization of resources in a balanced and equitable manner.
- Effectiveness of public service delivery.

4. Budget priorities

- Economic reforms and promotion of the private sector,
- Building industrial infrastructure in agriculture, energy, Information technology, and tourism sectors,
- Promotion of social sectors including education, health,
- Promotion of Inclusion and social security, and
- Improvement in good governance and service delivery.

5. Budget allocation to provincial and local governments

- Based on the recommendation of the National Natural Resources and Fiscal Commission, financial equalization grants have been allocated at Rs 60 billion for the province and Rs 88 billion for the local level.
- Conditional grants of Rs 25.84 billion for the province level and Rs 208.88 billion for the local level are arranged for allocation, based on performance.
- Supplementary grants totaling Rs 6.2 billion for the provincial level and Rs 7 billion for the local level are set to be allocated based on performance, for implementing infrastructure projects.
- Special grants of Rs 4.4 billion and Rs 8.5 billion are allocated for the province and the local level respectively, based on performance.
- An estimated Rs 159 billion will be allocated for revenue distribution at the provincial and local levels. Overall, including both revenue distribution and grants, a total of Rs 567 billion is projected to be transferred to provinces and local levels.

6. Economic situation

- The economic growth rate for the FY 2024-25 is estimated to be 6% whereas the inflation rate for 9 months of the current fiscal year is at 4.6%.
- The balance of payments is Rs 365 billion in savings up to 12 April 2024 (Chaitra end 2080) and the foreign exchange reserves are seen to be sufficient to cover 12.5 months of goods and services import.
- Remittance flow has increased by 19.8% up to mid-April 2024 (Chaitra end 2080).
- Government expenses are expected to be Rs 1,530.35 billion whereas revenue collection is expected to be Rs 1,253.52 billion during the current fiscal year, which is 88.1% of target revenue.
- Government expenses are expected to be utilized as follows:

Area	Rs in Billion	% utilization
Current Expenditure	1,067.49	93.5
Capital Expenditure	215.30	71.3
Financial Management	247.55	80.5

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

A policy has been proposed to enhance the revenue system to foster economic growth through increased economic activity and an investment-friendly tax system. The revenue policy and programs have been drafted with the considerations of imposing equitable taxation on new business models and economic transactions through digital means, drafting and updating revenue-related laws in line with international best practices, protecting the revenue base and making the revenue system comparable to the country's total national income. The objectives of the revenue policy are as follows:

- Enhancing the revenue system, expanding economic activities in the country, promoting investment, and prioritizing and encouraging domestic production and

enterprises.

- Developing a sustainable, transparent, and equitable revenue system while broadening the scope of revenue and safeguarding the tax base.
- Expanding the scope of taxation and enhancing tax compliance through taxpayer education and awareness programs.
- Controlling revenue leakage by strengthening inter-department coordination.
- Improving the efficiency and professionalism of revenue administration.

8. Reform in the tax system

- A new Customs Tariff Bill has been introduced with amendments in custom tariff rates for ease and efficiency of operations of the customs administrations.
- Tax waived by the government with respect to exemption shall be reflected in the government financial report as tax expenditures. While entering into new deals on development assistance, arrangements shall be made to provide tax benefits through tax refunds or withdrawals instead of tax exemptions.
- Arrangements shall be made for the mandatory issuance of invoices through an electronic system for all VAT-registered taxpayers.
- Refunds of 10% of VAT paid through digital channels will be implemented effectively from Shrawan 2081.

9. Other important announcements

- The definition of resident has been updated to incorporate international digital platforms having economic activities in Nepal without its physical presence in order to bring them under tax jurisdiction.
- Green (Harit) Tax has been introduced on the import of petroleum and coal products to reduce carbon emissions.
- IRD shall modify its system to enable taxpayers to submit all the details and documents through API as well.
- AI will be used to enable all services of the IRD to be paperless, faceless, and contactless.
- A factual and real custom assessment system will be developed based on the information collected by conducting regular market surveys for the assessment of imported goods.
- Provinces will be developed as specialized economic centers in collaboration with the private sector. For this, Koshi province will be developed as the industry hub, Madhesh province as the agriculture hub, Bagmati province as the information technology hub, Gandaki province as the tourism hub, Lumbini province as the small and medium enterprises hub, Karnali province as herbs hub and Far West province as religious tourism economic hub.
- Legal provisions shall be made for the production, branding, marketing and sale of homemade liquor.
- Legal provisions shall be made for the operation of the commodity market. Provision shall be made for compulsory listing in the stock market for companies with

capital exceeding a specified amount.

- Industries such as Biratnagar Jute Mill, Hetauda Textile Industry, Gorakhkali Rubber Industry and others that are closed will be brought into operation through public-private partnership.
- Exemption will be provided on dividend tax on capitalization of accumulated profit by Information Technology Industries.
- If the exporter is unable to submit the foreign currency receipt document immediately, the limit of the export value that can be exported has been increased from the previous US\$ 10,000 to US\$ 25,000 on the condition such documents shall be submitted at a later date.
- Legal arrangements shall be made for commercial production of marijuana for medicinal purposes.

10. Major changes and amendments in the tax system

Income Tax

- The definition of “Permanent Establishment” under Section 2(Ka da) has been updated with the inclusion of *“Having significant digital presence in Nepal from a place located outside Nepal, then such place outside Nepal or, where data and services are transacted within Nepal for at least for 90 days during last 12 months, from a server located outside Nepal, then the location where such server is located.”*
- Section 10 Clause (ta), which provides the exemption for income generated by drinking water supply and sanitation consumer organizations registered under the Water Resources Act 2049, has been withdrawn.
- “Special Industry, Information Technology Industry” has been added in place of “Special Industries” under Section 11(3 Tha), which further clarifies that Information Technology Industry includes Technology park, Information Technology park, Bio-tech Park, Software Development, Data Processing, Business Process Outsourcing, Digital Mapping, Data Mining, Cloud Computing related industries.
- Proviso clause has been added to section 21(1kha) which provides that, if the tax levied under section 95A(7) could not be settled in the same income year is allowed for deduction.
- There has been an addition in section 21(1Nga) which implies remuneration exceeding Rs 25,000 per month per person paid by medium other than through bank is not allowable for tax deduction.
- New sub-section 3 has been added to section 33 providing authority to IRD to determine the valuation methodology for the determination of the price on transactions between related parties (transfer pricing).
- A proviso clause has been added to Section 57(1), clarifying that “this section will not be triggered by an increase in the number of shares and capital from new shareholders and partners, as long as there is no change in the existing shareholding and capital of the current shareholders and partners.
- New section 81A has been introduced which prohibits the use of personal bank accounts for commercial transactions.

- The withholding tax rate on payment of interest by BFIs on foreign currency loans availed from foreign banks and DFIs to invest in the areas as specified by Nepal Rastra Bank has been reduced from 10% to 5%.
- A proviso clause has been added to section 88A(2) wherein prize money received more than Rs 500,000 is taxable as windfall gains.
- New subsection 2(K) has been added to section 94 clarifying that advance tax to be deposited under section 95A on the sale of non-business chargeable assets is not required to be deposited on an installment basis.
- There has been a revision in the applicable advance tax rate of section 95A(7) that is to be collected at the customs point on the import of items for commercial purposes:

Categories of items	Applicable Advance Tax Rate	
	Existing Rate	For FY 2024-25
- Category 1 (Live Animals) - Category 3 (Live fish, fresh fish and all fish products) - Category 6 (fresh flowers) - Category 7 (Edible Plants, and certain roots and stems) - Category 8 (Edible Fruits and wood fruits)	5%	10% for non-Vatable and 1.5% for Vatable items
- Custom Banding Category 2 (Meat)	2.5% for non-Vatable and 1.5% for Vatable items	10% for non-Vatable and 1.5% for Vatable items

- A new Section 101A has been introduced, stipulating that if it has been notified to the department in writing for tax assessment on undisclosed income/asset of any person as per Section 28 of the Money Laundering Prevention Act 2064, department will investigate correctness of such tax related offence, and if not found to be guilty of offence, tax will be recovered from such person at the highest rate of applicable income tax of the year.
- Subsection 8 has been added to section 113 clarifying that tax paid under section 95A(7) in any income shall be settled with the tax liability of the same income year, any excess advance tax shall not be carried forward to the next year or be refunded.
- There has been a revision in section 117(1ga) stating that fine shall be imposed at the rate of Rs 1,200 per return and if the period is less than one year, at the rate of Rs 100 per month.
- There has been a revision in section 119A which implies:
 - 1) If a taxpayer who has received approval for issuance of electronic invoice or not, in accordance with section 81(4), is found to be using a software that can delete or edit data, a fine of Rs 500,000 shall be charged.
 - 2) If a person who develops, installs, or operates software or equipment for issuance of electronic invoice, in accordance with section 81(4), does not follow the

procedures issued by the IRD, a fee of Rs 500,000 shall be charged.

3) In case of violation of section 81A, a fee of Rs 5,000 for each monitoring visit and 2% of the total amount whichever is higher shall be charged.

4) Except as otherwise provided in the Income Tax Act, a person who fails to comply with any provision shall be charged a fee ranging from Rs 5,000 to Rs 25,000.

Customs Duty

New customs duty ordinance has been enacted and some provisions of the customs act 2064 has been inserted therein.

Customs Act, 2064

- The period for post-clearance audit of goods has been reduced from 4 years to 2 years.
- The period of the public notice provided by the GoN for taking ownership of the goods not cleared has been increased from 7 days to 15 days.
- It has been clarified that the container transported by the cargo rail will not be seized along with the parcel, packet, or container utilized for the packing or conveyance of goods that is forfeited.
- The Ministry of Finance has been specified to be responsible for the formation of the valuation review committee and also have been given the right to remove the chairperson or member of the committee by giving an opportunity to submit an explanation.

Custom Duty Ordinance, 2081

- To facilitate national and international trade and promote investment in the trade sector, the Customs Duty Ordinance, 2081 has been enacted through an Ordinance. This ordinance primarily aims to amend and consolidate existing laws to determine customs duty rates and provide duty exemptions. Key provisions include:
 - Customs duties are determined based on the harmonized system of classification and categorization of goods, with customs tariffs, other duties (including the agriculture improvement fee), and charges set accordingly.
 - The act includes measures for exemptions and customs facilities under various circumstances and provisions for concessions in line with international treaties and agreements.
- Some provisions of the Customs Act, 2064 (Sections 5, 6, 7, 8, 9, 11, 12, 72, 73, 74, and 75) have been repealed and updated in the Customs Duty Ordinance, 2081. The major new provisions introduced by the Custom Duty Ordinance, 2081 are as follows:
 - Custom duty must be paid within 7 days of determination. Interest at a rate of 0.042% per day will be charged for past due payments, with a maximum interest period of 30 days. If duties, interest, or penalties are unpaid within 30 days, the customs officer may confiscate and auction the goods to recover the amount (Sec 20).

- Any shortfall in duty payment due to valuation differences, classification errors, or other reasons must be paid within 15 days of the customs officer's order. Interest at 0.042% per day will be charged from the overdue date. If unpaid within 30 days, the customs officer may halt transactions and confiscate goods to recover the amount (Sec. 23).
- Goods imported to and exported from Nepal will be classified according to the Harmonized Commodity Description and Coding System developed by the World Customs Organization (Sec 4 & 5).
- For imported goods subject to ad valorem duties, the determination follows this procedure:
 - Transaction value: As determined by custom law.
 - Customs Duty: Transaction value * Customs rate.
 - Excise Duty: (Transaction value + Customs Duty) * Excise rate.
 - Other duties, taxes, fees, and charges (excluding VAT).
 - VAT: (Transaction value + Customs Duty + Excise Duty + Other duties) * VAT rate.
 - VAT does not apply to demurrage or fines under prevailing customs law.
- Importers eligible for the bank guarantee facility can arrange a single bank guarantee for multiple customs offices with customs officer approval.
- Industries in special economic zones (SEZs) purchasing vehicles under customs duty facilities must pay full customs duty if the vehicle is transferred, sold, or has its title changed before 10 years.
- SEZ industries must apply for the release of bank guarantees for raw material imports within one year, providing evidence that the produced goods were exported or sold domestically in convertible foreign currency.
- Procedures for paying duties on goods (e.g., petrol, diesel) imported through pipelines will be established.
- The act does not address cash deposits or bank guarantees for importing auxiliary raw materials and packaging materials not produced in Nepal but used for exporting finished goods.
- Updated provisions cover cash deposits, bank guarantees, and facilities for the temporary export of goods for processing, manufacturing, repairing, or other purposes.
- Goods produced in and imported from India, as well as goods produced in China and imported from Tibet into Nepal under the letter of credit procedure, were previously granted a rebate of 5% on chargeable customs duty rates up to 30% and a rebate of 3% on chargeable customs duty rates above 30% on an ad-valorem basis (excluding specific duty rates). This provision has been removed in the current Customs Duty Ordinance, 2081.

Changes in Custom Duty Rate and Charges

- Custom Duty on electric cars, jeeps and vans on the basis of motor pickup power has been set as follows:

Motor Pickup Power (Kw) on unassembled	Existing Rate (%)	Revised Rate (%)
Up to 50	10	15
51 - 100	15	20
101 - 200	20	30
201 - 300	40	60
More than 300	60	80

- Major Custom Duty rate changes of some other goods:

Description of Goods	Existing Rate (%)	Revised Rate (%)
Potato (0710.10.00) (General)	10	15
Cashew nuts in shell (0801.31.00)	15	10
Lightweight coated paper (4810.22.00)	15	20
Tampons and menstrual cups (9619.00.40)	15	5
Brooms and brushes (9603.10.00)	10	15
Mixed Spices (0910.91.00)	20	30
Medicaments (3003.31.00), - (3003.39.00), - (3003.60.00)	7.25	14
Urine Bag (3926.90.31)	5	-
Rubber thread and cord, textile covered (5604.10.00)	15	5
pot scourers (7323.92.00) (7323.99.00)	10	20
- LED Modules and Lamps (8539.51.00) (8539.52.00)	15	20

- Customs duty for gold and gold jewelry brought by a returning traveler from abroad:

- For Gold: 1st 50 grams as per prevailing rate, next 50 grams as per prevailing rate + 3%.
- For Gold Jewelry: For men, 1st 25 grams and for women, 1st 50 grams with no duty.
- For the next 50 grams, as per the prevailing rate. For the next 100 grams, as per prevailing rate + 3%.
- Gold above these limits will be confiscated, and ordinary-shaped jewelry such as bangles, rings, and necklaces made from unwrought gold will be classified as ordinary gold.

- Fees for Unloading Goods:

- LP gas: Rs 1,500 for unloading from the bullet-truck within 96 hours after inspection.
- Other goods: Rs 1,500 for unloading from trucks, trailers, and tractors within 72 hours after inspection.

- No temporary import fee will apply to vehicles unloading or loading goods in the customs yard or warehouse for import/export purposes.

Excise Duty

- Electronic cigarettes (Vape) and Hukkah flavors have been added to the definition of "Tobacco product" in section 2(Ja1).
- If any diplomatic mission, project personnel, or other governmental or non-governmental body intends to scrap and cancel the registration of a motor vehicle imported with tariff facilities, which is either more than 10 years old from the year of initial production or inoperable due to technical reasons or an accident while in use by the diplomatic body or person, excise duty on such vehicles will not be levied. Previously, the time period for scrapping the vehicle was 15 years. Additionally, the Finance Ordinance 2081 has introduced a provision for scrapping and canceling the registration of vehicles due to an accident.
- The word "import" has been added after the word "products" to the proviso clause of Section 9(1) which implies that no excise duty license is required to import, sell or store a product subject to excise duty by an industry under the self-release system.
- A penalty of 200% of the renewal fees shall be levied for the renewal of a license within the same fiscal year if it is done after 6 months from the due date of license renewal.
- A new provision has been added requiring the use of Excise Duty stamps on goods subject to excise duty, as specified by IRD, whether produced domestically or imported. The format of the stamp has also been specified.
- A clarification clause has been added to Section 10(Tta) to define Duplicate Excise Duty Stamp, which provides that "Duplicate Excise Duty Stamp (Ticket)" are:
 - A stamp differing in quality, feature or safety indication mark approved by the Department.
 - A stamp issued for one industry or establishment used by another industry or establishment.
 - A stamp used for a different category of production than prescribed by IRD.
 - A stamp that has been re-used.
 - Torn, fragmented or a stamp with a fake QR Code.
- A new Section 10(Tha) regarding the destruction of Excise Duty stamps has been added. Under this section, a specified committee can destroy stamps that do not meet the specifications of the IRD, are not recorded, are moldy, eaten by termites, torn, unsuitable due to a change in the GoN emblem, lack a serial number, are not the specified shape and size, are partially burned, damaged due to disruptive acts, or are otherwise unusable. If the quantity of old tickets cannot be determined, the committee can destroy the stamps after preparing a written record.
- If excise duty is not recovered or less recovered on the sale of goods or services manufactured by the enterprise under the self-release system, then 100% of excise duty not recovered or less recovered along with applicable excise duty is charged as a fine.

Major changes in Excise Duty rates:

Changes in Alcohol

Description of Goods	Existing Rate	Revised Rate
Alcohol quantity up to 15 U.P.	Rs 1,800/ltr	Rs 1,860/ltr
Up to 25 UP	Rs 1,345/ltr	Rs 1,390/ltr
Up to 30 UP	Rs 1,250/ltr	Rs 1,290/ltr

Changes in Cigarette

Description of Goods	Existing Rate	Revised Rate
Without filter	Rs 730/m	Rs 755/m
Filter having a length of up to 70 mm	Rs 1,690/m	Rs 1,740/m
Filter having a length of up to 75 mm	Rs 2,300/m	Rs 2,370/m
Filter having a length of up to 85 mm	Rs 2,970/m	Rs 3,060/m
Filter having a length of more than 85 mm	Rs 4,080/m	Rs 4,200/m

Changes in EVs

Description of Goods/ peak power (kw)	Existing Rate	Revised Rate
Up to 50 kw	0%	5%
50 kw - 100 kw	10%	15%
100 kw - 200 kw	20%	20%
200 kw - 300 kw	45%	35%
Above 300 kw	60%	50%

Other Changes

Description of Goods	Existing Rate	Revised Rate
Almond (including peel)	15%	10%
Molasses	Rs 105 /quintal	Rs 110 /quintal
Orange Juice, Pomelo Juice, Apple juice, Pineapple juice, Tomato juice, Grape juice	Rs 13/ltr	Rs 13.50/ltr
Ice cream or edible ice cream	20%	30%
Pan-masala without tobacco	Rs 850/kg	Rs 875/kg
Scented Areca nuts without tobacco	Rs 365/kg	Rs 375/kg
Non-alcoholic beer	Rs 35/ltr	Rs 45/ltr
Energy drinks	Rs 50/ltr	Rs 52/ltr
Beer made from malt	Rs 235/ltr	Rs 240/ltr
Wine of fresh grapes	Rs 444/ltr	Rs 460/ltr.
Cigars, Cheroots and cigarillos	Rs 30/stick	Rs 31/stick
Deodorants and antiperspirants	15%	20%

Value Added Tax

- The VAT rate of 13% remains unchanged.
- The previous provision under sec 10(kha) (1) has been replaced with new provisions detailing the registration requirement of Non-Resident Persons with the following amendments:

The threshold for registration has been increased to Rs 3 million from Rs 2 million for businesses involving Electronic Services or "Offline Airlines services".
- The threshold limit for the registration of a person conducting the business of both goods & services and services only under sec 11(1) (cha) has been increased from Rs 2 million to Rs 3 million.
- A new provision has been introduced under Sub-section 3 of Section 18, granting tax officers the authority to impose restrictions on import/export transactions for those who fail to file their VAT returns within four months of the due date.
- Arrangements have been made to provide discounts at the customs point itself on VAT instead of providing refunds at a later date on scooters imported by persons with disabilities.
- Minimum life for motor vehicles imported under duty facility by the diplomatic mission, project, person and other entities for VAT exempt disposal with approval of the Ministry of Finance has been reduced to 10 years from 15 years
- Waiver of VAT has been announced on transactions of potatoes, onions, apples and related vegetables and fruits with the intent to ensure protection to domestic products.
- The Finance Bill, 2081 has introduced significant changes in Schedule 1 of the VAT Act, 2052 removing distinct items (goods and services) from the schedule to make them Vatable. Some of the goods and services on which VAT shall now be applicable are:
 - Tracksuits, ski suits and swimwear, other garments
 - Lungi, dhoti and women's or girl's other garments like sari, lungi and dhoti
 - Pearls, natural or cultured, whether or not worked or graded but not strung, mounted or set, pearls, natural or cultured, temporarily strung for convenience for transport
 - Photographic plates and film in the flat sensitized unexposed of any materials other than paper, paperboard or textiles, an instant print film in the flat, sensitized, unexposed, whether or not in packs
 - Fuel wood, logs, billets, twigs, faggots, or similar forms or particles: sawdust and wood waste and scrap, whether or not agglomerated in logs, briquettes, pellets or similar forms.

Major Amnesty announced in Finance Bill, 2081

a) Waiver for persons willing to come under the ambit of taxation

If a person who has taxable income in the past but has not obtained PAN deposits the applicable tax on such income for FY 2021-22 and 2022-23 after obtaining PAN by 13 March 2025 (29 Falgun 2081), then interest and fees on such taxes will be waived. Similarly, tax, interest, and fees for the period before FY 2021-22 will be completely waived.

b) Waiver for persons not filing Income Tax returns

If a person with PAN who has not filed any income tax returns in the past files it, and deposits the applicable tax and 25% of interest by 13 March 2025 (29 Falgun 2081), the remaining interest and fees will be waived.

c) Waiver for persons not filing VAT returns

If a person who has not filed VAT returns up to 16 July 2023 (31 Ashad 2080) files it, and deposits applicable VAT and 50% of interest by 13 March 2025 (29 Falgun 2081), the remaining interest penalty and additional fees will be waived.

d) Waiver of VAT for International Air Service Providers

In case an international air service provider (whether registered or not registered in VAT) has not collected or deposited VAT from 29 May 2023 (15 Jestha 2080) to 17 October 2023 (30 Ashoj 2080), the VAT along with applicable interest, additional fees and penalty shall be waived.

If any Offline Airlines registers and deposits the VAT collected from 29 May 2023 (15 Jestha 2080) by 15 July 2024 (31 Ashad 2081), then interest, penalty, and additional fees will be waived.

e) Waiver of VAT for Transport Service Operators

If a transport service operator who is required to collect VAT has not collected VAT for the period 29 May 2019 (15 Jestha 2076) to 29 May 2021 (14 Jestha 2078) (irrespective of them being registered or not in VAT) deposits 1% of turnover by 15 December 2024 (30 Mangsir 2081), then VAT, interest, penalty and additional fees will be waived.

If the above tax is already assessed and remains to be paid or under litigations, then waiver of such VAT, interest, penalty, and additional fees can be obtained by paying 1% of turnover and withdrawing the cases by 15 December 2024 (30 Mangsir 2081).

f) Waiver of VAT on the sale of potatoes, tomatoes and apples produced domestically

If a person dealing in trading domestically produced potatoes, tomatoes and apples has not collected VAT on such items till 27 May 2024 (14 Jestha 2081), VAT, interest, penalty and additional fees on such items will be waived.

g) Waiver of VAT for entity providing Credit Information

If an entity established under section 88 of Nepal Rastra Bank Act, 2058 for providing credit information to Banks and Financial Institutions licensed by Nepal Rastra Bank is not registered in VAT registers itself in VAT by 15 July 2024 (31 Ashad 2081) and pays 50% of VAT by 17 October 2023 (30 Ashoj 2080), then remaining VAT, interest, additional fees and penalty will be waived.

If the above tax is already assessed and remains to be paid or under litigations, then waiver of such VAT, interest, penalty, and additional fees can be obtained by paying 50% of VAT and withdrawing the cases by 17 October 2024 (30 Ashoj 2081).

Newly Introduced Fees and Amendments to Existing Fees

- Green Tax (Harit tax) shall be levied on goods imported at customs port at various rates specified in Annexure 1 of the Finance Bill. The summary of Annex 1 is tabulated below:

Goods Description	Green Tax
Coal; briquettes, pellets and similar solid fuels produced from coal	Rs 0.50 per kg
Organized or unorganized coke and semi coke of coal, lignite or peat, retort carbon	Rs 0.50 per kg
Petroleum oils and oils obtained from bituminous minerals (other than crude) and oils not elsewhere specified or included petroleum oils of 70% or more by weight or oils obtained from bituminous minerals, finished goods of which these oils are the main constituents, other than those containing biodiesel and other than waste oils:	0.5% / 1% / Rs 1 per litre
Petroleum coke, petroleum bitumen and other residues of petroleum oil or bituminous mineral oil	0.5%

- Digital Service tax shall be 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 3 million (previous year Rs 2 million).



right people
right size
right solutions