

# Flash Alert

17 June 2024



## Amendment in Income Tax, VAT, Excise Duty and Custom Rules

The Government of Nepal has made the following amendments to Income Tax, VAT, Excise and Custom Rules on 15 Jestha 2081 (28 May 2024):

### 1. Value Added Tax (Twenty-Sixth Amendment) Rules 2081

- The annual turnover threshold for compulsory registration in VAT in case of service transactions or mixed transactions of goods and services has been increased from **NPR 2 million** to **NPR 3 million**. (Rule 6 and 7)
- The **tax invoice issued** in the format as set forth in Schedule 5 and 5B and the abbreviated tax invoice issued in the format as set forth in Schedule 6 has been amended and now requires additional fields to be disclosed in invoice in case of sale of imported goods mentioning at least **the first 4 digits of the harmonic code** as per import declaration ("Pragyapanpatra") document. (Rule 17)  
*PKF TRU Comments: Now registered taxpayer selling imported goods would need to make necessary changes in tax invoice format along with changes in E-billing software (if E-billing software is applicable or being used) effective from 15 Jestha 2081.*
- The time limit for VAT refund in case of pharmaceutical industry has been amended as "**within 60 days** from VAT refund application date along with evidences and documents" (previously 30 days). Such amendment has been done to align with Section 25C2 of VAT Act 2052. (Rule 45)

### 2. Income Tax (Fifteenth Amendment) Rules 2081

- Monetary threshold for medical tax credit (u/s 51 of Income Tax Act) in any income year available to natural resident person has been increased from **NPR 750 to NPR 1,500**. (Rule 17)
- Monetary threshold for deduction from assessable income of natural resident person related to retirement contribution made to approved retirement fund has been increased from **NPR 300,000 to NPR 500,000**. Proviso clause of NPR 500,000 especially available if contribution is made to Social Security Fund has been removed and such limit is now applicable for contribution made to **any approved retirement fund**. (Rule 21)
- The taxpayer shall **submit the details of all bank accounts** opened in the name of the business as prescribed by the Inland Revenue Department. (New "Rule 24A" added).

### 3. Excise Duty (Twenty-Sixth Amendment) Rules 2081

- The excise officer may destroy the expired or unusable cigarettes and tobacco products with the approval of IRD. (Rule 15A)
- For destroying beer, wine and other excisable goods which are expired before discharge from warehouse, licensee should file application to tax office within 30 days from such expiry date. After investigation, chief tax officer based on recommendation from the Committee formed as per Rule 23C can decide himself to destroy such expired goods having factory price up to NPR 10 million in the presence of the Committee. However, for goods having factory price above NPR 10 million, approval from IRD shall also be required. (New Rule 23C added)
- In the case of shortfall in the stock of liquor due to evaporation, obscuration, leakage or bottling, licensee can avail remission up to **0.5% themselves** by keeping such record and can avail **additional remission up to 0.5%** by mentioning such details in monthly returns and submitting to excise officer (previously for whole 1% remission claim, approval was required from excise officer). (Rule 23)
- Commencing from 1 Shrawan 2081, licensee producing or importing tobacco, khaini, gutkha, panmasala, sweet betel nut or similar products shall pack (primary packaging) such goods in **recyclable materials or biodegradable materials**. However, this rule shall not be applicable for outer packaging. (New Rule 29D added)
- The license and renewal fees for following items has been added in schedule 2 of Excise Duty Rules 2059:

Particulars	Reference in Schedule 2	Fees (NPR)
Producer of e-cigarette (Vape)	(SN 1 (g))	200,000
Wholesaler of e-cigarettes (Vape)	(SN 3 (c))	7,200
For Retail purchase and sale of e-cigarettes (Vape)	(SN 1 (e))	2,000
For import of e-cigarette (Vape)	(SN 1 (l))	50,000
Manufacturing permit of new brand of alcoholic products	(SN 6 (a))	50,000
Manufacturing permit of new brand of tobacco products	(SN 6 (b))	10,000

### 4. Custom (Fifteenth Amendment) Rules 2081

- While notifying the public regarding the auction of the passenger vehicles, custom office should mention that **two wheeler and three wheeler** passenger vehicles older than **10 years** and **four wheeler and other** passenger vehicles older than **15 years** from manufacturing date once sold through auction cannot be registered again as passenger vehicles. (previously provision of 10 years older for all type of passenger vehicle).(Rule 35(1)(b))
- The prize to be rewarded to persons furnishing information about attempts to smuggle the import or export of goods has been decreased to **10% from 15%** of the proceeds of the auction of such goods. Also, it has been mentioned that such prize should not be applicable to national servant and their families as informant. (Rule 47(1)(a))

To access corresponding Gazette, [click here](#).

PKF TR Upadhyia & Co., 124 Lal Colony Marg, Lal Durbar, Kathmandu, Nepal  
 Phone: +977 1 4410927 | 4420026 | Fax: +977 1 4413307 | Email: [trunco@ntc.net.np](mailto:trunco@ntc.net.np) | [www.pkf.trunco.com.np](http://www.pkf.trunco.com.np)

PKF TR Upadhyia & Co. is s active member firm of PKF International Limited.

PKF Global refers to the network of member firms of PKF International Limited, each of which is a separate and independent legal entity. PKF International Limited coordinates activities of PKF Global but provides no services to clients and does not accept any responsibility or liability for the actions or inactions of any individual member or correspondent firm(s). Correspondent firms are not members of PKF Global.