

# NEPAL BUDGET STATEMENT HIGHLIGHTS



## 2083/84

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INCLUSIVE AND  
RESILIENT NEPAL



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GROWTH



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& HUMAN  
DEVELOPMENT



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EDUCATION,  
HEALTH &  
HUMAN CAPITAL



INFRASTRUCTURE  
DEVELOPMENT  
& CONNECTIVITY



CLIMATE ACTION  
& ENVIRONMENTAL  
SUSTAINABILITY



GOOD GOVERNANCE,  
FISCAL DISCIPLINE  
& SERVICE DELIVERY

TOGETHER FOR PROSPEROUS NEPAL



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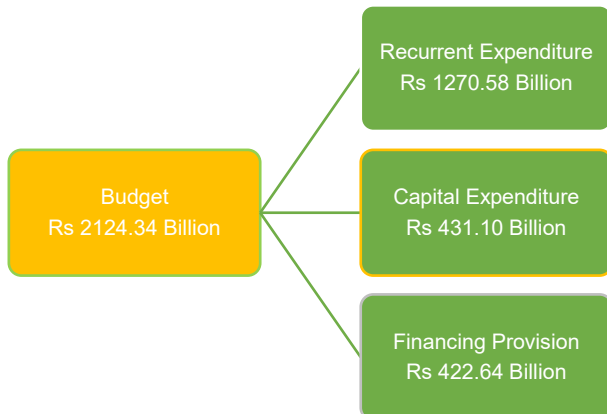
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## Nepal Budget Statement FY 2026-27 Highlights

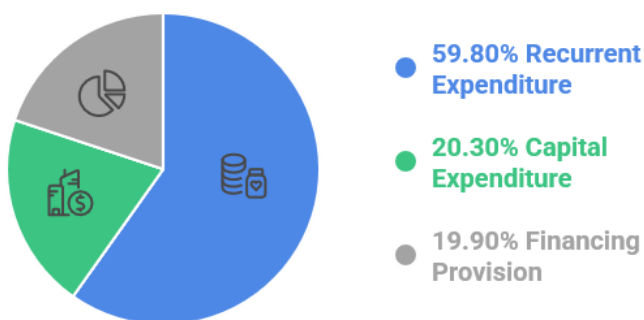
On Friday, 29 May 2026, Finance Minister Dr. Swarnim Wagle presented the full budget for FY 2026-27. This document highlights the budget's resource allocation, priorities, and key policy measures.

### 1. Source and Allocation of the Budget

#### Allocation of Budget

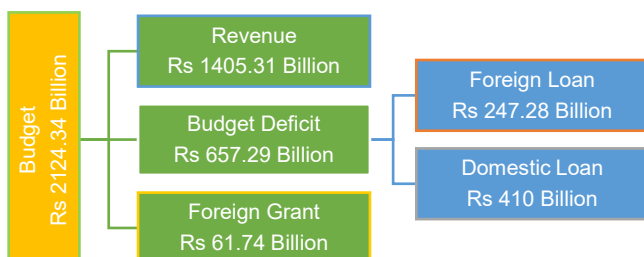


#### Budget Outlay

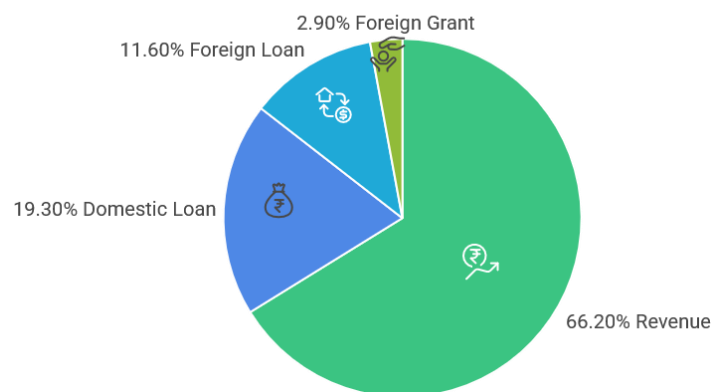


Out of the total budget, allocation towards financial transfer to provincial and local government amounts to Rs 600 billion

#### Source of Financing



#### Budget Source



### 2. Background of the Budget

The FY 2026-27 budget drives reform, strengthens governance, restores private sector confidence, expands technology-led public services, and spurs growth through production, innovation, and entrepreneurship. It targets 7% economic growth and inflation within 6%, using stronger macroeconomic indicators, ample liquidity, solid foreign exchange reserves, and Nepal's clean energy and demographic strengths to boost investment, jobs, and productivity. The budget allocates Rs 2,124.34 billion, comprising Rs 1,270.58 billion for recurrent expenditure and Rs 431.10 billion for capital expenditure.

### 3. Objectives of the Budget

- Achieve high, sustainable, broad-based growth with a 7% target and inflation within 6%.
- Build a simple, fair, production-oriented tax system while reducing tax burden on individuals and businesses.
- Restore private sector confidence and encourage investment, innovation, entrepreneurship, and productive jobs.
- Make public spending economical, efficient, and results-driven through administrative restructuring and expenditure rationalization.
- Improve public service delivery through technology, digital public infrastructure, accountable institutions, and good governance.
- Develop energy, agriculture, forestry, industry, tourism, information technology, and human capital as drivers of prosperity.

### 4. Budget Allocation to Provincial and Local Governments

- Rs 61.50 billion allocated in equalization grants to provinces and Rs 90.20 billion to local levels, based on the National Natural Resources and Fiscal Commission's recommendation.

- Rs 4.60 billion provided in supplementary grants to provinces and Rs 8.93 billion to local levels for infrastructure projects.
- Rs 3.82 billion allocated in special grants to provinces and Rs 9.40 billion to local levels.
- Rs 39.72 billion allocated in conditional grants to provinces and Rs 206.08 billion to local levels to implement federal programs and projects.
- Approximately Rs 175 billion is expected to be transferred to the provincial and local levels in revenue sharing.
- In total, revenue sharing, royalties, and fiscal transfers is projected to mobilize more than Rs 600 billion for provincial and local levels.

## 5. Economic Situation

- The economy is projected to grow 7% in FY 2026-27, up from 3.5% last year.
- The balance of payments is in surplus of Rs 731.16 billion, and foreign exchange reserves increased to USD 23.55 billion as of 13 April 2026 (Chaitra end 2082).
- As of 13 April 2026, imports and exports increased by 13.8% and 18.5%, respectively, and remittance inflows rose by 39.1%.
- As of 13 April 2026, loans of banks and financial institutions increased by 5.7% (previous year 7.1%), whereas deposits increased by 8.5%.

## 6. Objectives of Revenue Policy and Program for FY 2025-26

The revenue policy builds a business-friendly tax system with clear laws, voluntary compliance, and efficient administration. Its key objectives are:

- Connect all financial transactions digitally and support a formal economy.
- Build an automated, tech-enabled, ethical, and motivated tax administration.
- Increase revenue through voluntary tax compliance.
- Mobilize non-tax revenue based on cost-recovery and ability-to-pay principles.

## 7. Timely Reform in the Tax System

These key tax reforms highlighted in the budget:

- **Digital Revenue Administration:** Develop a paperless, faceless, and contactless revenue administration; automate tax filing, payments, and refunds.
- **E-Invoicing and Monitoring:** Businesses with transactions exceeding Rs 100 million must connect to the Central Billing Monitoring System. Small

businesses are encouraged to accept electronic payments.

- **Tax Audit Reductions:** Reduce the tax audit period from 4 to 3 years and develop an AI-based e-assessment system for risk-based tax investigation and audits.
- **Income Tax Adjustments:** Double the income tax exemption threshold to Rs 1 million and cut the top personal income tax rate by 10 percentage points to 29%.
- **Customs Duty Cuts:** Cut customs duty on 273 industrial raw materials, ensuring they remain at least one slab below finished goods, and streamline customs tiers from 11 to 7.
- **Excise and Green Taxes:** Abolish excise duty on 360 items. Consolidate infrastructure tax, road maintenance fees, and other customs-point charges into a green tax. Introduce digital excise stamps and a track-and-trace system.
- **VAT Incentives:** Offer a 10% VAT discount on purchases made via digital payments, automate VAT refunds, and promote an invoice culture through lottery schemes.
- **Multiple VAT Rates:** Introduce multiple VAT rates (including 5% on electricity and ride-hailing services) and propose a high-level committee to review their relevance and recommend next steps.
- **Taxpayer Amnesty:** Settle disputes pending before courts/judicial bodies by paying the assessed tax plus 1%. Fees, penalties, and interest will be waived.
- **Local and Provincial Taxes:** Local governments can no longer levy multiple taxes (transfer duties, scrap charges) on goods in transit. Taxpayers must use permanent account numbers for local taxes.
- **Education and Health Levy:** Introduction of a 3% minimum equalization fee on private education and health services to fund infrastructure in remote areas.

## 8. Other Important Announcements

The budget proposes these other key announcements:

### Government and Public Enterprises Reform

- **Federal Ministry Restructuring:** Reduce federal ministries from 22 to 18; abolish 31 entities, merge 6, transfer 6, and restructure 18 public bodies. Dissolve the Revenue Investigation Department and shift its functions.
- **Public Enterprise Reform:** Recapitalize entities, divest shares, convert Nepal Airlines Corporation into a company, and identify strategic partnerships.
- **State Divestment:** Issue public shares for Rastriya Bima Company Ltd, Bishal Bazar Company Ltd, and Nepal Telecom (federal government retains 66%

ownership, remaining shares sold by Poush end to fund tech hub development).

- **Corporate Mergers & PPPs:** Merge the Hydroelectricity Investment and Development Company Ltd with a similar institution to create a specialized infrastructure fund. Complete DDAs for 7 public enterprises (including Gorakhkali Rubber Industry) for PPP-based management.

### Industrial & Business Reforms

- **Special Economic Zones (SEZs):** Develop SEZs into "Special Economic Administration Zones" featuring single-window decisions on tax, customs, and investment.
- **Industrial Competitiveness:** Review electricity demand charges and tariffs for manufacturers. Extend business revival loans to firms operating below capacity due to capital shortages.
- **Start-up Support:** Provide start-ups with early-stage grants, concessional loans, and co-investment opportunities.
- **Investment Facilitation:** Simplify investment services through an "Investment Express" concept for automatic registration and approvals within three months. Simplify laws for foreign investment, repatriation, and technology transfer.
- **Overseas Investment:** Plan simplified arrangements for Nepali citizens to invest abroad and enable easier Non-Resident Nepali (NRN) participation in the secondary securities market. Introduce hedging services from FY 2083-84.
- **Domestic Production:** Support quality spirit production and maturation for Nepali-branded liquor exports. Register microbreweries as liquor industries starting in FY 2083-84.

### Infrastructure & Digital Transformation

- **Digital Public Infrastructure:** Establish the first sovereign AI compute center in Syuchatar, Kathmandu. Centralize IT software procurement, increase digital infrastructure investment, and add services to the Nagarik App.
- **Energy Sector Restructuring:** Restructure the Nepal Electricity Authority by separating generation, transmission, distribution, and trade into distinct companies. Open international electricity trading and transmission-line construction to the private sector.
- **Civil Aviation:** Restructure the Civil Aviation Authority of Nepal (CAAN) by Poush end to separate its regulatory and operational functions, targeting removal from the EU Air Safety List.

### Financial Sector & Capital Markets

- **Fintech and Credit:** Nepal Rastra Bank will establish and supervise a new fintech marketplace. Introduce personal credit scoring and place peer-to-peer lending under regulatory oversight.
- **Bad Debt Management:** Establish a National Asset Management Company by Poush end to manage rising non-performing loans and non-banking assets.
- **Capital Market Reform:** Restructure the Nepal Stock Exchange (NEPSE) and introduce intraday trading, short selling, and derivatives. Permit listed Nepali companies to issue Global Depository Receipts internationally.

### Labor & Employment

- **Labor Rights:** Mandate labor registry enrollment for workers and employers, written contracts, minimum wages, insurance, workplace safety, and banking-channel salary payments.
- **Labor Tribunal:** Establish a labor tribunal by Poush end for faster dispute resolution, treating wage fraud, contract breaches, and exploitation as economic offenses.

## 9. Major Changes and Amendments in the Tax Laws

### Income Tax

- Section 2(kha1) now defines an "International Transaction" as any dealing in goods, services, finance, or intangible property with a non-resident that affects income, expenses, assets, or liabilities.
- Section 2(KaBha1) defines the Safe Harbour Rule as transfer pricing transactions that meet criteria of section 33Ka as arm's length price.
- The law now defines an associated person for Transfer Pricing, Safe Harbour, and Advance Pricing Agreements (APA) as follows:
  - a) an entity alone or with related parties, controls at least 30% of another entity's income, capital, or voting rights, or receives benefits from it.
  - b) If another person lends to an entity and more than 50% of that person's assets consist of loans and advances to that entity.
  - c) If an entity relies mainly or entirely on another person's intellectual property, technical know-how, or commercial rights to earn revenue.
  - d) If an entity sources at least 90% of the raw materials or consumables that another person needs.
- CSR spending under Section 12Gha is deductible in computing taxable income but not in computing adjusted taxable income.

- ❑ Sweat equity received by employees in the IT sector need not be included in taxable income under Section 8.
- ❑ Section 10 adds these new exemptions:
  - a) Gains from disposing of private land or buildings donated to the federal, provincial, or local government by a natural person are exempt from tax. (10(Jha1))
  - b) Tax on interest from debt investments in Nepal by a not-for-profit financial institution wholly owned by a foreign government is exempt from tax.
  - c) Income earned for its stated objectives by a drinking water and sanitation consumer organization registered under the Water Resource Act, 2049, is exempt from tax.
  - d) No tax on the income of Universities registered and operating in Nepal for their stated objectives.
- ❑ Interest on deposits with microfinance institutions, rural development banks, the postal bank, and cooperatives is taxable above Rs 25,000 under Section 10(2).
- ❑ Cinema halls established outside metropolitan and sub-metropolitan areas get 10 years tax exemption from the date of commercial operation.
- ❑ "Agricultural business" now covers crops, horticulture, livestock, aquaculture, and apiculture.
- ❑ Section 12 caps deductible donations at the lower of Rs 300,000 or 5% of adjusted taxable income.
- ❑ Businesses may deduct CSR expenses up to 1% of taxable income under Section 12Gha.
- ❑ Section 21(2) lowers the disallowed cash-transaction threshold from Rs 50,000 to Rs 25,000 per transaction.
- ❑ Taxpayers may now deduct share and debenture issue costs because Section 21(3) no longer treats them as capital expenditure.
- ❑ Section 33Ka lets taxpayers with turnover up to Rs 1 billion use Safe Harbour Rules to set arm's-length prices for controlled transactions if they meet these conditions:
  - a) IT service exporters add a minimum 15% operating margin to operating costs.
  - b) Intercompany US dollar loans add 200 to 400 basis points to reference rates.
  - c) Low-value-added services may add up to 5% profit to cost, as the IRD determines.

Once selected, Safe Harbour Rules apply for at least five income years unless the transaction changes substantially. IRD will issue implementation directives.
- ❑ Section 33Kha allows the IRD to enter into bilateral or multilateral APAs for international transactions between associated enterprises. Agreed transfer prices count as arm's length for up to five consecutive years and may roll back up to four years.
- ❑ The APA binds all parties unless the law or key terms change materially.
- ❑ An APA is void from the start if a party secures it through fraud, false facts, or misinformation.
- ❑ Section 47Ka, which covered mergers of banks, financial institutions, and insurers, is repealed.
- ❑ Section 57 does not apply in these additional cases:
  - a) A startup adds new shareholders or partners, while existing owners keep their capital intact.
  - b) An interest in an entity passes by law to a legal heir when the holder dies.
  - c) A resident entity's ownership changes because its resident holding company's shareholding changes.
- ❑ NRB-licensed hire-purchase companies, like BFI, may deduct loan-loss provisions up to 5% of outstanding loans, written-off loans, and non-banking assets.
- ❑ IRD interpretations in public circulars under Section 75 are final.
- ❑ Section 81 now treats invoices as required tax records.
- ❑ IRD may require taxpayers to keep records electronically.
- ❑ IRD may require taxpayers to issue e-invoices through approved software linked to the Central Billing Monitoring System.
- ❑ Section 82A lets IRD obtain financial data electronically from a person in Nepal or from anyone holding that person's records.
- ❑ Payments to resident individual insurance agents are subject to final withholding tax at 20% under Section 88.
- ❑ Section 88Ka does not levy TDS on agricultural contribution awards up to Rs 500,000 and may exempt higher amounts by a Gazette notice.
- ❑ The 1.5% TDS on payments exceeding Rs 5 million for work carried out through consumer committees has been abolished.
- ❑ Capital gains on listed or unlisted shares, land, and buildings and certain foreign-currency and service income under Section 95Ka are final-taxed if the recipient does not file a return.

- Resident ride-sharing operators must withhold 1% advance tax from payments to natural persons on their platforms.
- Section 95Ka revises advance tax rates as follows:

Particulars	FY 2026-27	FY 2025-26
Listed Shares holding <= 365 days	10%	7.5%
Listed Shares holding > 365 days	7.5%	5%
Land and Building of natural person holding => 5 years	7.5%	5%
Land and Building of natural person holding < 5 years	10%	7.5%
Involuntary Disposal of Land and Building of natural person due to compulsory acquisition by the decision of Nepal Government	2.5%	5% / 7.5%

- Resident natural persons can no longer skip filing an income tax return solely because they earn only income under Section 95Ka(6kha), (6ga), and (6gha).
- The window for an amended tax assessment (full audit) now closes after three years, not four.
- Taxpayers now get five years, not two, to claim a refund, measured from the latest of payment date, year-end, or case settlement date.
- Section 119Ka now states that taxpayers are required to issue e-invoices under Section 81(4) face a Rs 500,000 penalty for software that deletes or alters data, and a Rs 100,000 penalty for other non-compliance.
- The Finance Bill unifies tax slabs for all resident natural persons. One rate schedule now applies to remuneration income as follows:

Taxable Income (In Rs)	Applicable Tax Rate
First 1,000,000	1%*
Next 500,000	10%
Next 1,000,000	20%
Next 1,500,000	27%
Remaining above 4,000,000	29%**

\*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, on pension income, or on income from a contribution-based pension fund shall not be subject to social security tax, i.e., 1%. If the taxpayer deposits the amount in the Social Security Fund (SSF), the Social Security Tax is not applicable.

\*\* 29% is computed as 27% plus an additional 2% on such tax rate applicable to taxable income above Rs 4,000,000.

- The maximum deduction for insurance premiums paid on a private building by a resident natural person has been enhanced from Rs 5,000 to Rs 10,000. The deduction shall be limited to the actual insurance premium paid, if lower.

- Resident natural person can now deduct 25% of annual tuition fee paid for children's education or Rs 25,000, whichever is lower.

## Value Added Tax

- Multiple VAT Rates Introduced:** The Finance Act, 2083, amended Section 7 of the Value Added Tax Act, 2052, and introduced a multi-rate VAT structure. Instead of only 0% and 13%, the law now allows 0%, 5%, 13%, and any additional rate the Government of Nepal may prescribe by Nepal Gazette notification. New Section 7(1a) also allows the Government to set different VAT rates, up to the legal maximum, and specify the goods and services that fall under each rate.

Section 7(1b) also introduces a 5% VAT rate on certain transactions. This rate applies to passenger transport and cargo or delivery services provided through resident ride-hailing platforms, in which the platform operator collects and remits the tax. It also applies to end consumers who consume more than 50 units per month but exempts sales of electricity by a business trading in electricity to another similar business. The amendment further extends Section 7(2) to VAT rates prescribed under both Sections 7(1) and 7(1a).

- RCM on Ride Hailing Services:** A new sub-section (2b) inserted after sub-section (2a) of Section 8:

(2b) At the time of each transaction, the resident ride-hailing platform operator assesses and collects VAT on the taxable value from individuals who provide passenger transport or cargo or delivery services through the platform.

- Electronic invoicing (E-Invoicing) Section 14(A)** now allows IRD to set the criteria and procedures for electronic invoicing and enable electronic invoice issuance. Through public notice, it may require specified taxpayers to issue electronic invoices, integrate with the Centralized Billing Monitoring System (CBMS), or use its electronic billing system. IRD will also be responsible for developing procedures to protect the security, reliability, and integrity of the software and equipment used for e-invoicing.
- Amendment in Section 16B:** "Natural disaster" added in section 16B alongside "wear and tear" as a recognized ground under the provision.
- Tax return/ amended return:** Section 18 makes compliance easier for taxpayers who live in districts without an Inland Revenue Office. They may file returns and pay tax within fifteen days after the end of the relevant month through the Local Government or District Treasury and Accounts Controller Office, which must forward the return and payment details to the relevant IRO within seven days.

The amendment also allows taxpayers who file on time to correct errors by submitting an amended return within 7 days of the original filing, in accordance with Department procedures.

- ❑ **A fully automated VAT refund system is introduced.**
- ❑ **10% VAT refund amendment to 10% VAT exempt:** Section 25(1b) replaces “immediately refunded” with “immediately exempted” for the 10% VAT benefit on electronic payments. Consumers now receive the benefit directly at the time of billing instead of waiting for a refund. In practice, this provides an immediate 1.3% discount on the invoice amount, which is 10% of the 13% VAT.
- ❑ **Section 25C (1), related to the refund of VAT deducted and paid by public enterprises under contract, has now been removed.**
- ❑ **Punishment U/S 29:** Clause f(2) of sub-section (1) is replaced as follows:
  - a) If a taxpayer required to issue electronic invoices under Section 14A(1) or (2) uses software that can erase or alter transaction data, the law imposes a fine of Rs 500,000. If the taxpayer breaches any other requirement under those sub-sections, the law imposes a fine of Rs 100,000.
  - b) Clause (j) of sub-section (1) now increases the fine from Rs 1,000 to Rs 10,000.
  - c) The law also imposes a fine of Rs 50,000 for each violation of the IRD’s directive on the internal movement of goods for commercial purposes.
- ❑ **Binding Nature of Public Circulars under the VAT Act:** The Act already allows the IRD to issue public circulars to interpret the VAT Act. The Finance Act, 2083 now makes those interpretations final unless a court rules otherwise.
- ❑ **Changes in Schedule 1 of the VAT Act (addition and removal of VATable goods and services):** *The following goods and services are now included in Schedule 1, so VAT no longer applies to them:*
  - Jute (sunpati) and other flexible fibres – other (HS Code 5303.90.00)
  - Wood briquettes (HS Code 4401.32.00)
  - Traditional medicinal preparations such as Bittisa, Drakshasava, Triphala, Kabjahaar and Keshari Jeevan (HS Code 3003.90.41)
  - Bandages (HS Code 3005.90.20)
  - Opacifying preparations for X-ray examinations (HS Code 3006.30.00)
  - Clinical trial kits (HS Code 3006.93.00)
  - Diagnostic and laboratory reagents – other (HS

Code 3822.90.00)

- Digital financial service fees
- Services provided by insurance agents

If a registered person has claimed input VAT on trading stock or capital goods that are now included in Schedule 1, the law treats those goods as supplied at their open-market value on 15 Jestha 2083, and the person must adjust the input VAT in the VAT return accordingly.

*VAT now applies to the following goods and services:*

- Coconut — Other (Subheading 0801.19.00)
- Urea — Technical grade, not in aqueous solution (Subheading 3102.10.11)

A transitional rule now requires any person supplying goods or services that are removed from Schedule 1 to obtain VAT registration within 30 days of 15 Jestha 2083 if turnover exceeds the registration threshold. They may issue tax invoices only after completing VAT registration.

- ❑ **Remission of Value Added Tax on Cheese:** The Government remits unpaid or outstanding VAT on past sales of cheese produced from milk.

### Excise Duty

- ❑ Section 2(a1) now includes “digital excise stamp” with “security mark.”
- ❑ Section 2(h1) expands “tobacco and nicotine products” to cover smoking, chewing, and oral products, including vapes, nicotine pouches, hookah flavors, and other items the Department designates.
  - Section 2(o1) broadens “liquor” to cover fermented or similar beverages above 0.5% alcohol, prepared cocktails, carbonated wine, spirit-based drinks, and other liquor items that the IRD specifies.
- ❑ Amendment in Section 3A (5) removes the restriction on excise duty credit on auxiliary raw materials and packing materials, thereby allowing excise duty credit on auxiliary raw materials and packing materials used in the production process.
- ❑ After clause (n7), clause (n7a) is added:
  - “Risk-Based Selective Release Control System” means a physical control system that selects establishments through risk analysis and allows limited-supervision production, release, import, and export of excisable goods.
- ❑ Recovery of excise duty: Section 4(1)(a) now states:
  - Industries under the Physical Control System or Risk-Based Selective Release Control System must pay excise duty when they produce and

release goods for sale.

- Microbreweries must pre-pay monthly excise duty based on the prescribed yield rate for installed capacity.
- Section 4E now covers sales by such industries to sellers not registered for VAT.
- Section 9(5b) now covers producing, exporting, importing, selling, or storing alcoholic beverages and tobacco and nicotine products.
- Section 9B(1) lets the Excise Officer suspend, for up to three months, the license of a manufacturer that appears to release or sell unstamped goods, reuse counterfeit or used stamps, or evade duty through poor raw-material records.

*Section 9B(1) also adds this proviso:*

- If the excise license renewal period expires during suspension, the suspension does not block renewal.
- Section 10A requires excise return filers to keep updated prescribed accounts of production, sales, raw materials, purchases, consumption, and closing stock, and to provide them on request.
  - Section 10A(2) requires the concerned Excise Officer to certify purchase, production, release, sale, and stock registers.
  - For self-release goods other than tobacco and nicotine products, an authorized person of the licensee may certify and maintain these records.
- Section 10D(1G) now states:
  - Excise applies when alcohol content in raw materials, work-in-process spirits, ready-to-release beverages, or released beverages differs from declared strength by more than 0.5%.
- Section 10G allows the Excise Officer, with approval, to test raw materials, in-process spirits, ready alcoholic beverages, released alcoholic beverages, and related substances through the Department's lab or a designated lab to ensure alcohol variation stays within one percent.
  - Section 10G also expands testing to raw materials, in-process spirits, and ready alcoholic beverages before release, and it lowers the permitted variance to more than 0.5% of declared strength.
- Section 10J1 requires excise stamps on prescribed excisable goods produced in or imported into Nepal.
  - IRD sets the excise stamp format.
  - IRD also prescribes the use of digital excise stamps.

- Section 10K1 authorizes IRD to implement a Track and Trace System to electronically control the production, storage, release, distribution, and transport of alcoholic beverages and tobacco products.

- IRD prescribes how the Track and Trace System operates, is managed, and is enforced.

#### □ Excise Offences and Penalties

- If a producer or importer of alcoholic beverages, cigarettes, or tobacco products suppresses, conceals, or evades excise duty through the offences below, the law confiscates the evaded amount and imposes a penalty of 200% of that amount or Rs 100,000, whichever is higher, and may also impose up to one year of imprisonment, or both.

The Act now also treats the following as offences:

- failing to meet Departmental Track and Trace requirements; or
- getting or giving unauthorized access to the Track and Trace system.
- Section 16(4H) now applies when alcohol content exceeds declared strength by more than 0.5%, replacing the earlier one-percent threshold.
- Section 16(4)(S)(3) adds 5% annual interest on outstanding excise duty not paid within the Section 17A deadline.
- Section 16(4)(S)(4) confiscates duty-free or exempt alcoholic beverages that are sold, distributed, or used commercially and imposes a penalty equal to the evaded duty or Rs 100,000, whichever is higher.
- Section 16(5) allows the Excise Officer to confiscate tools, machinery, equipment, vehicles, and other goods or services used directly or indirectly in an offense.
 

If someone uses a vehicle without the owner's permission, the law does not confiscate the vehicle. Instead, it fines the owner Rs 25,000 and may fine the driver up to Rs 15,000, imprison the driver for up to three months, or both, depending on the offense.
- Section 22A now treats fees, late fees, penalties, and health risk tax under the Finance Act as excise duty.
- Section 25A now expressly empowers the IRD to issue directives and set standards to regulate alcoholic beverages, tobacco products, and other excisable goods, including their production, quality, sales, and distribution.
- Office, and local Chamber of Industry and Commerce, coordinated by the chief of the relevant Inland Revenue Office.

Before destruction, the office may record reusable items after quantification and verification and may permit their reuse.

#### Key points to note:

- ❑ When calculating excise duty on liquor, use the higher of the rate per L.P. litre or per litre.
- ❑ If a liquor cocktail is prepared, apply the excise rate under sub-heading 2206.00.40.
- ❑ The law exempts excise duty on ambulance and hearse chassis, battery-operated tempos, and scooters up to 155 cc designed for persons with disabilities, subject to the required recommendation and approval process.
- ❑ The law exempts traditional non-ready-to-eat stick noodles, but not ready-to-eat noodles produced with equipment using more than 50 kilowatts of electricity.
- ❑ The law does not levy excise duty on personal-use goods imported under the applicable customs exemption facility.
- ❑ Industries in highly underdeveloped areas that produce brandy, wine, and cider from local fruits receive an 80% excise discount.
- ❑ Domestic producers receive excise discounts on qualifying wine, champagne, and cider, with higher discounts for 100% local raw materials and lower discounts for certain dried-fruit products.
- ❑ Producers, importers, and sellers of liquor, beer, and cigarettes must publish retail prices at the start of the fiscal year and whenever prices change.
- ❑ IRD, with Customs where needed, may define excisable goods and assign Harmonized Codes.
- ❑ Imports of machines, instruments, and equipment for football, cricket, and multi-purpose stadium infrastructure receive excise exemption based on the Ministry of Education, Science and Technology's recommendation.
- ❑ Imports of machines, instruments, and equipment for Green Hydrogen production receive excise exemption based on the Ministry of Energy, Water Resources and Irrigation's recommendation.

#### Customs Duty

- ❑ The budget streamlines the 11 tier customs duty structure to 7 tiers.
- ❑ Customs duty on 273 industrial raw materials reduced, so they remain at least one tier below finished goods and support domestic manufacturing.
- ❑ Specified goods raw wool, live sheep, salt, chauri cattle and tails, carpets, and herbs may be imported from Tibet, China, through barter or banking. All other

goods must use banking channels. Provided that the use of the banking system shall not be mandatory for exports or for imports of goods valued up to sixteen thousand rupees.

- ❑ A brewery may import crown cork only with a recommendation from the Inland Revenue Office.
- ❑ An approved health institution may send patient specimens abroad or bring them into Nepal for testing without customs duty.
- ❑ Approved hydropower projects may import essential construction equipment, machinery, tools, spare parts, explosives, penstock pipes, and steel plates under a bank guarantee for customs, excise, and VAT, with a recommendation from the Department of Electricity Development.
- ❑ Exporters of goods made in Nepal may export up to USD 25,000 without immediately submitting foreign exchange receipt documents, but they must submit the receipts or proof of returned goods within six months. If they do not, the Customs Officer initiates legal action under foreign exchange laws.
- ❑ Industries, businesses, and commercial establishments damaged during the Gen-Z movement receive a 50% customs and excise duty exemption on imports needed for restoration and operation, based on items verified in the insurance surveyor's report.
- ❑ If goods imported under diplomatic or customs duty exemption are sold or gifted after five years, a 60% concession on the applicable customs duty under Schedule 3 applies. This facility may be used once during the beneficiary's official tenure in Nepal.
- ❑ Diplomatic missions, personnel, projects, and agencies may scrap motor vehicles imported under customs privilege if the vehicles are over 10 years old, have been used for at least 10 years, or are inoperable due to accidents or technical reasons. With ministry approval, they may de-register by scrapping them without customs duty liability.
- ❑ A returning passenger may import gold ornaments duty-free up to 25 grams for men and 50 grams for women. For the next 50 grams, the prevailing duty applies; for a further 50 grams, the prevailing duty plus 3% applies, and any excess is confiscated.

#### Changes in Custom Duty Rate and Charges

- ❑ The budget shifts EV customs duty from motor output capacity to purchase value, adopting a value-based system.
- ❑ A clean infrastructure investment fee (CIIF) is levied on imports to fund local production, charging stations, and battery systems.

- Road construction fees for EVs under HS code 8703.80.91 and 8703.80.99 having CIF value up to Rs 20 lakhs is reduced from 5% to 2.5%.

CIF Value	Custom Duty	CIIF (levied after CD)
Up to Rs 20 Lakhs	20%	2.50%
Rs 20-30 Lakhs	20%	20%
Rs 30-40 Lakhs	20%	20%+Additional 15%
Rs 40-50 Lakhs	20%	20%+Additional 70%
Above 50 Lakhs	20%	20%+Additional 110%

- Revision in Customs duty in relation to cigarettes and tobacco containing goods.

Product Description	Existing Rate (Rs) (Per 1,000 sticks)	Revised Rate (Rs) (Per 1,000 sticks)
Cigarettes with tobacco (including cigarillo)	11,000	12,000
Filter less cigarette	5,500	6,000
With filter: ≤ 70 mm length	5,500	6,000
Length > 70 mm and ≤ 75 mm		
Length > 75 mm ≤ 85 mm		
Length > 85 mm		
Manufactured bidi	5,500	6,000
All types of cigars	11,000	12,000
Others		

- Increase in customs duty from 20% to 30% on the import of electronic cigarettes and similar personal electronic equipment (Vapes) used for Vaporizing.

## 10. Major Amnesty announced in Finance Bill, 2083 (2026)

The following major amnesty is available to taxpayers if opted up to the Poush end 2083:

### a) Deduction relating to loss of business inventory:

Industries, businesses, or commercial establishments affected during the Gen-Z Movement may revalue their uninsured business inventory based on an assessment supported by adequate evidence. Providing details of the loss to the concerned Inland Revenue Office within the period prescribed under Rule 39K(1)(a) of the Value Added Tax Regulations, 2053, allows the loss to be deductible as an expense under Section 15 of the Income Tax Act, 2058 for FY 2082/83, and the VAT paid thereon becomes eligible for adjustment under Section 17 of the Value Added Tax Act, 2052.

### b) Exemption on customs duty for restoration of damaged buildings, furniture, machinery and equipment caused by arson or vandalism

- Industries, businesses, or commercial establishments affected during the Gen Z movement will receive a 50% exemption on customs and excise duties for importing damaged items like buildings, furniture, machinery, or equipment. This applies to restoration and operation, based on verified insurance surveyor reports.
- A hotel that previously availed the customs duty exemption under Clause (c) of Sub-rule (3) of Rule 6 of Schedule 4 of the Customs Tariff Act, 2081, and whose assets were subsequently damaged during the Gen-Z Movement shall be entitled to avail the same customs duty exemption again for the import of goods required to restore and recommission the damaged assets. Such entitlement shall be limited to the extent of the damage verified by an insurance surveyor's report and shall be granted without duplication of benefits under the said provision.
- Royalty and renewal fees shall be waived for the period during which the Casino business was unable to operate due to the damage caused by the Gen-Z movement.

### c) Tax exemption for persons providing construction or services for projects operated pursuant to foreign aid agreements:

When a foreign aid agreement between Nepal's government and a donor agency, or an implementation letter approved by the Council of Ministers, grants income tax exemption to a non-resident working on the project or to a construction or service provider through a registered branch or foreign permanent establishment in Nepal, the income earned up to the end of the previous fiscal year (FY 2081/82) shall be exempt from income tax. Additionally, any tax due under Section 2(6) of Schedule 1 of the Income Tax Act, 2058, shall also be waived.

### d) Tax exemption facilities for maintaining the share investment of the Government of Nepal

- If a financing agreement between the Government of Nepal and the European Investment Bank or the Asian Infrastructure Investment Bank does not provide a tax exemption, or requires the borrower to bear taxes and duties, NEA hydropower generation, transmission, and distribution projects pay only 1% customs duty on goods in the approved master list. All other applicable taxes, fees, charges, and duties are exempt to preserve the

Government of Nepal's share investment in NEA equal to the exempted amount.

- For this purpose, a Gazetted Special Class Officer of the concerned ministry approves the master list of required goods and recommends it to the Department of Customs.

**e) Waiver of previous sales tax, entertainment tax, hotel tax, contract tax, and related income tax fees, charges, interest, and fines**

- The Government waives any outstanding sales tax, hotel tax, entertainment tax, and contract tax payable under the repealed Excise Act, 2015 and later governed by the Excise and Value Added Tax Act, 2052.
- If tax arrears were assessed under the Income Tax Act, 2031, and the liable person neither obtained a PAN nor carried on any income-generating activity, the concerned office may write off those arrears.

**f) Exemption of luxury duty and VAT**

- Any uncollected luxury duty on gold and gold ornaments, or VAT on diamonds, gems, precious stones, and similar items due before 2 Bhadra 2082, is deemed exempt. No return or statement is required.
- Any VAT not collected in accordance with law on the manufacture or repair of gold and silver jewelry, utensils, or idols up to FY 2082/83, together with any related interest, additional tax, fee, or penalty, is waived. No tax return is required for that period.

**g) Waiver of penalty and interest on post-clearance audit**

If customs duty is assessed under a post-clearance audit or verification under the Customs Act, 2064, and the assessed duty up to the end of Baisakh 2083 (mid-May 2026) remains unpaid, the importer may secure a waiver of the penalty and all accrued interest up to the application date by withdrawing the case pending before the Revenue Tribunal or any court and paying the full assessed customs duty, excise duty, and VAT by the end of Poush 2083 (mid-January 2027).

**h) Customs duty concession and green tax on fuel**

The applicable customs duty on petrol under tariff heading 2710.12.10, kerosene under 2710.19.10, and high-speed diesel under 2710.19.30 is reduced by 50%.

A 10% green tax applies to imported petrol and diesel, notwithstanding anything elsewhere in this Act.

The Government of Nepal may modify or withdraw either concession at any time by notice in the Nepal Gazette.

**i) Fee waiver for shipping companies returning containers**

A domestic or foreign shipping company may retrieve and remove containers that have remained at customs premises for a prolonged period without paying storage charges, demurrage, or other fees, even if the containers were confiscated under customs law, provided the company applies by the end of Mangsir 2083 (mid-December 2026).

**j) Tax, interest, and fee exemption for certain non-profit organizations**

A non-profit organization registered under the Association Registration Act, 2034 or any other law, whose governing documents require any remaining assets on dissolution to transfer to the Government of Nepal, may obtain a full waiver of tax, interest, penalties, and fees on taxable income from donations, contributions, or gifts for FY 2082/83 and earlier years if it files its income tax return for FY 2082/83 by the end of Poush 2083 (mid-January 2027), whether or not it is otherwise recognized as tax-exempt under the Income Tax Act, 2058.

If the organization's only income is donations, contributions, and gifts, it does not need to file an income tax return.

**k) Waiver of interest, additional fees, and penalties for insurance agents**

If an insurance agent failed to collect VAT for FY 2082/83 or any earlier fiscal year, all unpaid VAT-related interest, additional fees, and penalties are waived, and the agent does not need to file a VAT return for that period.

**l) Waiver of interest and fees relating to income tax Taxpayers without a PAN**

A person who earned taxable income without obtaining a PAN and did not file income tax returns may obtain a PAN, file returns for FY 2079/80 to FY 2082/83, and pay the applicable tax by the end of Poush 2083 (mid-January 2027). On compliance, all related interest and filing fees are waived, and no return, tax, interest, or fee is payable for any year before FY 2079/80.

**Registered taxpayers with no business activity or income**

A taxpayer who already has a PAN but had no income, transactions, or filed returns up to FY 2081/82 may either cancel the registration or reactivate the business by filing the income tax return for FY 2082/83, paying that year's tax, and applying to the concerned tax office by the end of Poush 2083 (mid-January 2027).

On compliance, the taxpayer does not need to file returns for prior fiscal years. If the taxpayer misses the deadline, the PAN is automatically deactivated. Any later reactivation or resumption of business requires filing all outstanding returns and paying all applicable tax, interest, and fees.

#### **Existing PAN holders with outstanding returns and taxes**

A PAN holder who failed to file income tax returns and pay tax may obtain a waiver of interest and fees by filing all outstanding returns and paying the outstanding tax plus an additional 1% by the end of Poush 2083 (mid-January 2027).

#### **m) Waiver of fines and interest on VAT**

- A VAT-registered person who made taxable transactions but failed to collect and deposit VAT may obtain a full waiver of interest, additional fees, and penalties by filing all outstanding VAT returns up to Chaitra 2082 (mid-April 2026) and paying the VAT due plus an additional 1% by the end of Poush 2083 (mid-January 2027).
- A VAT-registered person who collected VAT on taxable transactions but failed to file VAT returns may obtain a full waiver of interest, additional fees, and penalties by filing all outstanding VAT returns up to Chaitra 2082 (mid-April 2026) and paying the VAT due plus an additional 1% by the end of Poush 2083 (mid-January 2027).

#### **n) Waiver of excise duty late fees and penalties**

- A person, whether licensed under the Excise Act, 2058 or not, who traded in excisable goods without collecting excise duty may obtain a waiver of late fees and penalties by the end of Poush 2083 (mid-January 2027) if the person submits the statement required under Section 10A and pays the excise duty due plus an additional 1%.
- A licensee under the Excise Act, 2058 who failed to renew its license on time but wants to continue business may secure a waiver of all prior-year renewal fees and penalties by renewing the license and paying the renewal fee for FY 2082/83 by the end of Ashoj 2083 (mid-October 2026). Any license not renewed by then is automatically cancelled.

#### **o) Waiver of interest, fees, additional charges, and penalties on outstanding tax and excise duty**

A person who filed a VAT, income tax, or excise duty return under the Excise Act, 2058 but did not pay the VAT, tax, or excise duty due up to 15 Jestha 2083 may obtain a waiver of all related interest, fees, additional charges, penalties, and late fees by the

end of Poush 2083 (mid-January 2027) if the person pays:

- the outstanding VAT, tax, or excise duty stated in the relevant return or statement; and
- an additional amount equal to 1% of that outstanding VAT, tax, or excise duty.

#### **p) Waiver of fees, additional charges, penalties, interest, and late fees on assessed tax arrears**

If VAT, income tax, or excise duty becomes payable under an assessment or revised assessment by the Inland Revenue Department or its subordinate offices, the taxpayer may obtain a waiver of all related fees, additional charges, penalties, remaining interest, and late fees by the end of Poush 2083 (mid-January 2027) if the taxpayer pays:

- the assessed VAT, tax, or excise duty; and
- an additional amount equal to 1% of that amount.

This provision does not apply to a person engaged in telecommunications services.

#### **q) Waiver of fees, additional charges, and penalties on withdrawal of pending cases and payment of tax**

- If a person has a pending administrative review or court case against a tax assessment, amended assessment, or excise duty assessment made under the VAT Act, 2052, Income Tax Act, 2058, or Excise Duty Act, 2058 up to 15 Jestha 2083, all related fees, additional charges, penalties, interest, and late fees are waived if the person withdraws the proceeding and pays the assessed tax or excise duty plus an additional 1% by the end of Poush 2083 (mid-January 2027).
- If the IRD or its offices filed an appeal before the Supreme Court, obtained judicial review, or has a pending petition for appeal or judicial review, the Government of Nepal may withdraw that proceeding if the taxpayer pays the disputed tax plus an additional 1% and files an application with the IRD or concerned office by the end of Poush 2083 (mid-January 2027).
- If permission to appeal or seek judicial review before the Supreme Court has not yet been granted and the concerned tax office has not completed reassessment, the taxpayer may still obtain the waiver by paying the disputed tax plus an additional 1% and applying to the concerned office by the end of Poush 2083 (mid-January 2027).

These exemptions do not apply to persons engaged in telecommunications services.

**r) *Income tax, interest, and fee exemption for Nepali or resident individuals working for the UN, international organizations, or diplomatic missions***

A resident individual employed by a UN office in Nepal, a UN agency, another international organization, or a foreign diplomatic mission enjoying diplomatic privileges whose remuneration or service fees are not tax-exempt under the Vienna Convention may obtain a waiver of interest and fees if the individual obtains a PAN, files income tax returns for FY 2079/80 to FY 2082/83, and pays the tax due plus an additional 1% by the end of Mangsir 2083 (mid-December 2026).

The individual does not need to file returns or pay tax, fees, interest, or other charges on income earned before FY 2079/80.

**s) *Waiver of tax, fees, charges, interest, and penalties under the Companies Act, 2063***

A company registered under the Companies Act, 2063 that failed to file returns, renew registration, or pay the required tax, fees, charges, interest, or penalties may obtain a waiver for all periods before FY 2082/83 if it wants to continue operations or cancel registration and, by the end of Ashoj 2083 (mid-October 2026), files the required returns and pays the tax, fees, and charges due for FY 2082/83.

**t) *Waiver of penalties and interest on fees, charges, or taxes levied under the Annual Finance Acts***

□ A person who failed to submit, underpaid, or failed to file a return for any fee, charge, or tax under the Annual Financial Acts may obtain a waiver of penalties, interest, and fees by filing the relevant returns and paying the outstanding amount plus an additional 1% by the end of Mangsir 2083 (mid-December 2026).

□ If the concerned office has assessed and recorded any such fee, charge, or tax as arrears, or if the matter is pending before a court or judicial body, the person may obtain a waiver of all applicable penalties, interest, and fees by withdrawing the case and paying the determined amount plus an additional 1% by the end of Mangsir 2083 (mid-December 2026).

□ A casino operator that has paid all outstanding arrears, royalties, fees, and additional fees due up to FY 2082/83 but has not renewed its license may regularize the license once by paying a penalty equal to 15% of the renewal fee for the period of non-renewal. The operator may then renew the license for FY 2083/84 if it complies with the Tourism Act, 2035 and the Casino Regulation, 2068.

If a casino lawsuit is sub judice, the court's decision prevails.

**u) *Withdrawal of lawsuits***

For income tax and VAT cases filed under the Revenue Leakage (Investigation and Control) Act, 2052 and still pending before the competent court, the Government of Nepal may waive fines and withdraw the case if the concerned person deposits the assessed principal amount (Bigo) plus an additional 1% and applies to the concerned office by the end of Poush 2083 (mid-January 2027).

**v) *Release of bank guarantees or refund of cash deposits***

Under prevailing customs law, an industry licensed as a bonded warehouse under the bank guarantee facility, or an industry importing under the passbook facility, may secure release of bank guarantees or refund of cash deposits if it failed to export finished goods made from imported raw materials within the legal deadline, provided it exports those goods by the end of Mangsir 2083 (mid-December 2026), receives the related foreign currency proceeds, and submits an application with the required documentary evidence.

**w) *Exemption on transfer of vehicles imported under diplomatic or tariff facilities***

A foreign mission or donor agency may transfer a vehicle imported under diplomatic or tariff exemption facilities to anybody or agency of the Government of Nepal, provided the vehicle is not more than 10 years old from the date of manufacture. This transfer may be made up to the end of Poush 2083 (mid-January 2027).

The transferred vehicle is fully exempt from customs duty, VAT, excise duty, and road construction fee.

right people  
right size  
right solutions