

Tax Rates

for

FY 2083-84



FAIR TAX



STRONG
ECONOMY



PROSPEROUS
NATION



TRANSPARENCY



ACCOUNTABILITY



SUSTAINABLE GROWTH



INCLUSIVE PROSPERITY



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 Upadhya & 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 Upadhya & 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.

© 2026 PKF T R Upadhya & Co.

All rights reserved. Use Approved With Attribution

Income Tax Rates FY 2026-27

(Based on amendments made by the Finance Bill 2026)

1. Personal Income Tax

1.1 For residents: natural person

The Finance Bill 2026 unifies tax slabs for all resident natural persons. One rate schedule now applies to remuneration income as follows:

| Tax Banding | FY 2026-27 (FY 2023-24) | |
|-------------|---------------------------|-------|
| (a) Band 1 | First 1,000,000 | 1%* |
| (b) Band 2 | Next 500,000 | 10% |
| (c) Band 3 | Next 1,000,000 | 20% |
| (d) Band 4 | Next 1,500,000 | 27% |
| (e) Band 5 | 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 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

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

The Finance Act 2026 has removed the separate classification of 'single' and 'couple' status for personal income tax evaluation.

The tax rates in FY 2025-26 for natural persons opting for single or couple were as follows:

| Tax Banding | Tax Rates FY 2025-26 (FY 2022-23) | | | |
|--------------------|-----------------------------------|--------|---------------------------|--------|
| | Single | | Couple | |
| (a) Band 1 | First 500,000 | 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 1,000,000 | 30% | Next 900,000 | 30% |
| (e) Band 5 | Next 3,000,000 | 36%** | Next 3,000,000 | 36%** |
| (f) Additional Tax | Remaining above 5,000,000 | 39%*** | Remaining above 5,000,000 | 39%*** |

Notes:

| 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 | An 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 10,000 whichever is lower. |

| | |
|---|--|
| Contribution to Approved Retirement Fund | 1/3rd of taxable income or Rs 500,000 or Actual contribution whichever is lower. |
| Children Education Fees | 25% of annual tuition fee paid for children's education or Rs 25,000, 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. Rebate 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 the following amounts: i. Rs 1,500, 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 a female natural person and having only remuneration income, a 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 must submit an income return under Section 96. | |

1.2 For non - residents

| # | Nature of Transaction | FY 2026-27 | FY 2025-26 |
|----|---|------------|---------------------------------|
| 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 2026-27 | FY 2025-26 |
|----|---|------------|--|
| 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. |
| b. | Income earned from export by a natural person | No change | Tax @ 15% on taxable income for which tax rates of 20% and 30% are applicable. |

| # | Particulars | FY 2026-27 | FY 2025-26 |
|----|--|------------|---|
| 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

- i. **Presumptive taxpayer:** 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.
- ii. **Transaction based taxpayer:** Similarly, small taxpayer (resident natural person) who is 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 2026-27 | | FY 2025-26 | |
|----|--|--|---|--|---|
| | | 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:

- a) Person is a resident natural person.
- b) Person having only Nepal source business income.
- c) Having business turnover exceeding **Rs 3 million and up to Rs 10 million** and having **taxable business income up to less than Rs 1 million**.
- d) 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 2026-27 | FY 2025-26 |
|--------------------------------|------------|------------|
| 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 an advance tax credit under section 93.
- d) Having taxable business income not exceeding **Rs 300,000** and business turnover not exceeding **Rs 3 million**.

Note: Persons qualifying under presumptive tax and transaction-based tax schemes must compulsorily opt for the schemes. Accordingly, an individual who does not have a profit or wishes to file an ITR under form D03 can now choose not to submit the ITRs under form D01 and D02.

2. Corporate Income Tax

2.1 Tax rates for entity - company/firm/industry

| # | Particulars | FY 2026-27 | | | FY 2025-26 |
|----|--|-------------|--------|------------------|------------------|
| | | 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 the construction or operation of public infrastructure and to be transferred to the GoN or involved in the construction of hydropower plants 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 | 30% | - | 30% | 30% |
| 11 | Entities engaged in petroleum business under Nepal Petroleum Act, 2040 | 30% | - | 30% | 30% |
| 12 | Entity engaged in the business of cigarettes, tobacco, cigars, chewing tobacco, pan masala, alcohol and beer | 30% | - | 30% | 30% |
| 13 | Entities engaged in Telecommunications and Internet service | 30% | - | 30% | 30% |
| 14 | Entities engaged in Money transfer | 30% | - | 30% | 30% |
| 15 | Entities 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 the 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 bridges, roads, bridges, tunnels, railways and airports, trolleybuses, 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 and Information Technology 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 2026-27 | FY 2025-26 |
|-----------|---|------------|-----------------|
| 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 |

| | Particulars | FY 2026-27 | FY 2025-26 |
|---|--|------------|---|
| | 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 persons. | | | |
| 2. | Concessions to special industries based on geographical locations | | |
| | - Special industries established in very undeveloped areas | No change | 90% of the AR (for 10 years from the date of commercial production) |
| | - Special industries established in undeveloped areas | No change | 80% of the AR (for 10 years from the date of commercial production) |
| | - Special industries established in less developed areas | No change | 70% of the AR (for 10 years 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 |
| 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 years 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 the 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 | No change | 50% of NR |

| | Particulars | FY 2026-27 | FY 2025-26 |
|-----------|---|------------|--|
| | - Special industries in operation after establishment in or relocation to an Industrial area and an industrial village | 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 areas | | |
| | - 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 | 75% of NR |
| | - Special industries in operation after relocation from Kathmandu valley to outside the 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 2028 (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 the 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. | 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 the subsequent 3 years |
| 8. | Other Specific concessions | | |
| | - On capitalization of accumulated profit through bonus share by special industry, Information Technology Industry , or industry related to tourism for expansion of capacity of the industry. <i>Clarification: For the purpose of this sub-section, Information Technology Industry means the industries related to technology parks, information technology parks, biotech parks, software development, data processing, digital mapping, business process auto sourcing, data mining and cloud computing.</i> | No change | No tax on dividend distribution |
| | - Export income earned in foreign currency from Business Processes Outsourcing, software programming, and cloud computing services including service income based on Information Technology. | No change | Eligible for 50% tax exemption on applicable tax rate from such export income earned in foreign currency up to the fiscal year 2084/85 (FY 2027/28). |
| | - 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 that operates 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 |

| | Particulars | FY 2026-27 | FY 2025-26 |
|--|---|------------|--|
| | - 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 underdeveloped and underdeveloped areas respectively on NR for 10 years from the date of operation |
| | - Royalty from the export of intellectual assets by a person | No change | 25% on NR |
| | - Income from the sale of an intellectual asset by a person through a 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 | No change | 50% 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 100 million (earlier 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 |
| | - 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 start of the production and 50% rebate for the next 2 years |
| | - Income generated by industry involved in the production of green hydrogen | No Change | Full income tax exemption for the first five years from the start of its operation - |
| | - Income generated by industry involved in the production, manufacturing, or assembly of electric vehicle charging machine | No Change | Full income tax exemption for the first five years from the start of its operation - |
| | - Income from person who establishes and operates an industrial zone or industrial village by building the required infrastructure. | No Change | Full income tax exemption for the ten years from the start of its operation, followed by a 50% exemption for the next five years - |
| | - Income generated by industry established within mid-July 2025 (Ashadh 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 (Ashadh 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 cigarettes, bidi, cigars, 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 the 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. |
| d. | Tax exemption to drinking water and sanitation consumer organization | 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. |
| e. | Tax exemption to universities | No tax on the income of Universities registered and operating in Nepal for their stated objectives. |
| f. | Tax exemption to land and buildings donated to the federal, provincial and local government | 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)) |
| g. | Tax exemption on interest from debt instruments | 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. |

4. Allowable Deductions

| #. | Particulars | FY 2026-27 | FY 2025-26 |
|----|--|---|--|
| a. | Donations to tax exempt organizations | Up to Rs 300,000 or 5% of the adjusted taxable income whichever is lower. | 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 the 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 |
| e. | CSR Expenditure incurred by an entity as per provision of prevailing laws. | To the extent of 1% of taxable income | No such provision |

5. Tax Payment

5.1 Advance tax to the normal taxpayer

| # | Particulars | Installment Amount |
|----|-------------------------------|----------------------------|
| a. | Up to Poush end (mid-January) | 40% of the estimated tax |
| b. | Up to Chaitra end (mid-April) | 70% of the estimated tax |
| c. | By Ashadh end (mid-July) | 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: Payment of advance tax is not required if the tax payable is less than Rs 7,500.

5.2 Advance tax to the taxpayers based on turnover

| # | Particulars | Installment Amount |
|----|-------------------------------|---|
| a. | Up to Poush end (mid-January) | Tax at the rate specified on the actual transaction up to the 20 th of Poush. |
| b. | Up to Ashadh end (mid-July) | The remaining amount of tax is calculated at the rate specified on the estimated transaction amount at Ashadh end based on the actual transaction up to the 20 th of Ashadh. |

6. Taxation to Small Taxpayers

6.1 Presumptive taxation

| Particulars | FY 2026-27 | FY 2025-26 |
|---|------------|------------|
| Vehicle Tax* | | |
| Minibus, Mini Truck, Water Tanker | Rs 9,000 | Rs 8,000 |
| Mini Tripper | Rs 11,000 | Rs 9,000 |
| Truck and Bus | Rs 12,500 | Rs 10,500 |
| Dozer, Excavator, Roller, Loader, Crane and similar machinery | Rs 17,500 | Rs 15,500 |
| Oil tanker, Gas bullet, Tipper | Rs 17,500 | Rs 15,500 |
| Car, Jeep, Van, Micro Bus | | |
| (a) 0 to 1300 cc | Rs 6,500 | Rs 5,500 |
| (b) 1301 to 2000 cc | Rs 7,000 | Rs 6,000 |
| (c) 2001 to 2900 cc | Rs 7,500 | Rs 6,500 |
| (d) 2901 to 4000 cc | Rs 9,500 | Rs 8,000 |
| (e) 4001cc and above | Rs 11,000 | Rs 9,000 |
| Three Wheeler, Auto Rickshaw, Tempo | Rs 3,500 | Rs 2,500 |
| Tractor | Rs 3,500 | Rs 2,500 |
| Power Tiller | Rs 3,000 | Rs 2,000 |
| Electric Vehicle | | |
| (a) 0 to 50 KW | Rs 4,000 | Rs 3,000 |
| (b) 50 to 125 KW | Rs 5,000 | Rs 4,000 |
| (c) 125 to 200KW | Rs 7,500 | Rs 6,000 |
| (d) 200 KW and above | Rs 9,500 | Rs 7,500 |

7. Tax Withholdings

7.1 Tax withholding rates (TDS)

| # | Nature of Transaction | FY 2026-27 | FY 2025-26 |
|------|---|------------|--|
| 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 numbers (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. | No change | 2.5% against non-VAT invoice 1.5% for VAT invoice |
| 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% |

| # | Nature of Transaction | FY 2026-27 | FY 2025-26 |
|--------|---|---------------|-----------------------|
| 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 a natural person [not involved in any business activity] - In case of payment made to entities | No change | 6% |
| | | No change | 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 carried out through the User Committee | No TDS | 1.5% |
| xv. | Contract payments exceeding Rs 50,000 | No change | 1.5% |
| 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 commissions, incentives that are not categorized as service fees (even if registered in VAT) | 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 | 5% |
| xx. | Payment of registration fees, educational fees, or exam fees 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 persons for the purchase of weapons, bullets and communication equipment for self-use by the Nepal Army, Nepal Police and Armed Police Force. | No change | 5% |
| 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 २०२३) | No change | 5% |
| xxiv. | On payment of royalty to resident person for literary article or composition. | No change | 1.5% |
| xxv. | On payment of commission and service fees to resident individual insurance agent | 20% | Not Applicable |

7.2

Rates of advance taxes

| # | Nature of Transaction | FY 2026-27 | FY 2025-26 |
|----|---|--------------|------------|
| i. | a) Gain on disposal of Interest in any resident entity (listed in the stock exchange) | | |
| | - To a resident natural person | | |
| | a. Listed Shares held for more than 365 days | 7.5%* | 5% |
| | b. Listed Shares held for 365 days or less than 365 days | 10%* | 7.5% |
| | - To resident entity | No change | 10% |
| | - Others (including a non-resident person) | No change | 25% |

| # | Nature of Transaction | FY 2026-27 | FY 2025-26 |
|-------|--|-------------|-------------------|
| | 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 | 10% 15% 25% |
| ii. | Banks and financial institutions providing foreign exchange facilities for payment to foreign institutions for conducting language and Standardized examinations of the students going to study abroad. | No change | 15% |
| iii. | If any person receives payment in foreign currency for providing software and similar other electronic facilities outside Nepal, BFI and Money Transfer shall deduct advance tax. | No change | 1% |
| iv. | 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, BFI and Money Transfer shall deduct advance tax. | No change | 5% |
| v. | If any resident natural person not involved in business operations receives payment in foreign currency for consultancy service outside Nepal, BFI and Money Transfer shall deduct advance tax. | No change | 5% |
| vi. | If any resident natural person not involved in business operation receives payment in foreign currency for audio visual upload on social media, BFI and Money Transfer shall deduct advance tax. | No change | 5% |
| vii. | 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 | No change | 1% |
| viii. | Payments by Resident ride-sharing operators to natural persons on their platforms. | 1% | Not Applicable |
| ix. | Gain on Disposal of land or land & building: <ul style="list-style-type: none"> - Owned by an individual for over 5 years - Owned by an individual for up to 5 years | 7.5% 10% | 5% 7.5% |
| | - Owned by a person other than an 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% |

***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 elects not to file an income tax return.**

#Windfall gain tax of 25% will be exempted for the reward up to Rs 500,000 received on behalf of contribution in the fields of literature, art, culture, sports, journalism, science and technology, general administration and agricultural contribution. But, windfall gain tax shall be applicable for the prize money in excess of Rs 500,000.

7.3

Applicability of TDS

| # | Nature of transaction | FY 2026-27 | FY 2025-26 |
|-------|---|------------|------------|
| i. | Payment for question setting, answer evaluation | No change | No TDS |
| 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 |

7.4 Final withholding payments

| # | Nature of transaction | FY 2026-27 | FY 2025-26 |
|------|--|------------|--|
| 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 a similar type having a source in Nepal to natural person [not involved in any business activity] by a Resident Bank, financial institution or debenture issuing entity, or listed company | No change | 6% |
| vi. | On payment of commission and service fees to resident individual insurance agent | 20% | Not Applicable |
| vii. | Windfall gains | No change | 25% |

8. Fines and Penalties

| Section | Circumstance | FY 2026-27 | FY 2025-26 |
|-------------|--|------------|--|
| 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 1,200 per return and Rs 100 p.m. for a period of less than 1 year Others: Higher of Rs 1,200 per return and Rs 100 p.m. for the period less than 1 year; or 0.1% p.a. on the number of inclusions |
| 117(1)(Ga) | Income tax return is not submitted by a natural person for any income year | No change | 0.1% per year on the amount calculated by subtracting the final withholding income from the assessable income, or Rs 1,200 per year, or if less than a year, Rs 100 per month. |

| Section | Circumstance | FY 2026-27 | FY 2025-26 |
|-------------|--|--------------------------------|---|
| 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 number 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 |
| 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(1) | Uses an e-billing software as per Section 81(4) in which the data can be deleted or manipulated. If Other provisions of the section are not complied with | No change Rs 100,000 | Rs 500,000 Not Applicable |
| 119Ka(2) | In case the procedures issued by IRD are not followed by the person who manufactures, installs or operates the e-billing software or equipment as per Section 81(4). | No change | Rs 500,000 |
| 119Ka(3) | In case any person deposits any funds received against business transaction in their personal bank accounts. | No change | Higher of Rs 5,000 or 2.5% of the amount for each instance |
| 119Ka(4) | Except as otherwise provided in ITA, a person who fails to comply with the provisions of the laws 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 IRD any matter or thing without which the statement is false or misleading in a material particular, knowingly or recklessly | 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 IRD any matter or thing without which the statement is false or misleading in a material particular, but not knowingly or recklessly | 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

9. 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.

10. Other Taxes and Fees

10.1 Education service fees

- Collected from students going abroad for higher education at 3% of the foreign exchange facility availed from the BFIs. The amount collected as education service fees by BFIs must be deposited by the 25th of the following month to the IRD revenue account and details to be provided to the IRD department.

- Interest shall be charged to the BFI at the rate of 15% per annum for the delay in the 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.

10.2 Road construction charges

Collected on import or production of vehicles at the rates specified in Annex 4 of the Finance Bill 2083.

10.3 Film development fees

Collected by the cinema halls on the exhibition of foreign films at rates given in Annex 11 of the Finance Bill 2083.

10.4 Pollution control fees

Collected on the petrol and diesel sold within Nepal at Rs 1.50 per liter. The collected amount by the importer to be deposited by 25th of the following month to the IRD revenue account.

Interest shall be charged to the importer at the rate of 15% per annum for delay in the deposit of pollution control fees.

10.5 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 and new SIM card.

The amount collected by the telecommunication service provider is to be deposited by the 25th of the following month to the IRD revenue account. Interest shall be charged at the rate of 15% per annum for the delay in deposit.

10.6 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.

The amount collected by the telecommunication service providers is to be deposited by the 25th of the following month, along with VAT to the IRD revenue account. Interest shall be charged at the rate of 5% per annum for any delay in such payment.

10.7 Casino royalty

Collected from licensed casino operators per license at **Rs 55 million** per annum and **Rs 30 million** per annum for gaming through modern machines and equipment only. The royalty amount is to be deposited at the Tourism Department up to Poush end (40%), Chaitra end (70%) and Asadh end (100%).

10.8 Digital Service Tax

DST collected on digital services provided by a non-resident to Nepalese customers at 2% of the transaction value. However, such tax shall not be applicable on annual transactions up to **Rs 3 million**.

Non-resident individuals are required to submit their annual transaction details and pay Electronic Service Tax (EST) within three months from the end of each fiscal year, using an online submission system. However, the Finance Bill, 2083 has made provisions that render the clause related to Digital Permanent Establishment under the Income Tax Act, 2058 inapplicable with retrospective effect. As a result, non-resident individuals are now exempted from the obligation to pay both Electronic Service Tax and Income Tax. Despite this clarification, the Finance Bill does not address the ambiguity regarding the definition of a "non-resident," as it fails to specify whether the definition under the Income Tax Act or the Value Added Tax Act should be applied. A fee of 0.1% on the transaction shall be charged for non-filing of return and 15% interest shall be charged for non-payment of tax alone. A 50% penalty shall be charged in case tax has not been submitted or concealed. Income tax as per the Income Tax Act, 2058 shall not be applicable if tax has been paid as per this provision.

10.9 Luxury Fees

Collected on following goods and services consumed in Nepal as per Annexure 5 of Finance Bill, 2083:

- a) 2% of the service amount provided by 5-Star or upper hotels and luxury resorts,
- b) 2% of import price including Customs Duty and Excise Duty on imported liquor.

10.10 Foreign Employment Service Fees

A person licensed to conduct foreign employment business shall collect a 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

The fee is to be deposited within 25th of the next month. 15% p.a. interest to be charged in case of non-payment.

10.11 Health Risk Tax

Health Risk tax to be levied on the following goods at the specified:

- On Import and domestic production of bidi - 30 paisa per piece
- On Import and domestic production of Cigarettes and Cigars - 60 paisa per piece
- On heated tobacco prepared for inhalation without combustion, whether or not it can be electrically charged - 10 percent of the value determined for customs duty purposes

- on electronic cigarettes or vapes containing nicotine or nicotine-free, prepared to be inhaled without combustion, whether designed to be electrically charged or not- Thirty rupees per piece
- On Import or domestic production of chewing tobacco, khaini, paan masala and gutkha – Rs 60 per kg

Tax is to be paid at the customs frontier at the time of import and during the issuance of produced units, for domestic production. If this tax is not paid or collected, the Inland Revenue Department may assess the tax. Such tax assessments can be reviewed administratively before the Director General of the Inland Revenue Department, and if dissatisfaction remains after the administrative review, appeal to the Revenue Tribunal can be done.

10.12 Green Tax

Green tax is collected on the import of goods at customs points at the rates specified in Annex 1 of Finance Bill 2083.

10.13 Domestic Production Protection and Promotion Fee

A domestic production protection and promotion fee shall be levied and collected at the customs point on goods imported into Nepal, in accordance with Schedule 2 of Finance Bill 2083.

10.14 Clean Infrastructure Investment Fee

A Clean Infrastructure Investment Fee (CIIF) shall be levied on electric vehicles and transport/haulage vehicles imported into or manufactured in Nepal, with collection carried out by customs offices or registering authorities, as applicable, based on Schedule 3 and the vehicle's cost price. All collected fees must be deposited into the Federal Consolidated Fund, and monthly collection reports must be submitted to the Government of Nepal, Ministry of Finance.

10.15 Skill Promotion Fee

A Skill Promotion Fee @ 0.5%, as prescribed in Schedule 6 of Finance Bill 2083, shall be levied on the sale of gold, silver, and goods or ornaments made from them to consumers in Nepal.

10.16 Education Equalization Fee

An Education Equalization Fee @3%, as prescribed in Schedule 7 of Finance Bill 2083, shall be levied on fees charged by private educational institutions and used to enhance access to quality education and educational infrastructure.

10.17 Health Equalization Fee

A Health Equalization Fee @3%, as prescribed in Schedule 8 of Finance Bill 2083, shall be levied on fees charged by private sector hospitals and used to enhance access to quality health services and health infrastructure.

right people
right size
right solutions