

TRU Newsletter

002/2018 July 2018

Change in revenue code by Inland Revenue Department (IRD)

IRD has changed revenue code regarding deposit of taxes, excise duty and VAT applicable from 2075.04.01.

Revenue head	Description	New Code
VAT and Other Taxes		
VAT- Manufacturing business	VAT levied on sales by manufacturer	33111
VAT- Import	VAT levied on import of goods: To be paid at custom point by the importer	33112
VAT- Sales and Distribution of goods	VAT levied on sales and distribution of goods: To be paid by retailer and wholesaler	33113
VAT- Consultancy and Contract	- VAT levied on all types of contract business and consultancy service - Contract tax remaining to be collected before applicability of VAT, if collected, to be deposited under this head	33114
VAT- Tourism Service	- VAT levied on tourism business related to hotel, travel agency, trekking and rafting - Hotel tax remaining to be collected before applicability of VAT, if collected, to be deposited under this head	33115
VAT- Telecommunication, Insurance, Aviation and other services	- VAT levied on all types of telecommunication service (except government postal service), insurance, aviation and any other specified business - Above tax remaining to be collected before applicability of VAT, if collected, to be deposited under this head	33116
VAT- Collected from Unregistered Person	- VAT collected on service received from unregistered party outside Nepal (Reverse charge basis) - VAT collected on sales of wood - VAT collected by local government or international association or entity or government - VAT collected by public corporation on transaction of VAT exempt goods	33117
VAT from other sources	VAT levied on any transaction for which a separate revenue code has not been allocated for collection among various governmental levels	11412
Tax applicable to other income	Tax applicable to other income not included in any other revenue code	11139
Excise Duty		
Tobacco products	Excise duty, manufacturing and sales license fee and renewal fee levied on production of all types of tobacco products	33131
Alcohol	Excise duty, manufacturing and sales license fee and renewal fee levied on production of alcohol (including Wine and other soft drink)	33132

Revenue head	Description	New Code
Beer	Excise duty, manufacturing and sales license fee and renewal fee levied on production of beer	33133
Other industrial production	Other industrial production not falling in above two categories (including manufacturing/production, license fee and renewal fee)	33134

*Other revenue heads except listed above are same as per the earlier list

Change in Audit limit

As per the decision of Government of Nepal, audit limit specified by the rule 53 and 53(Ka) of Nepal Chartered Accountants Rules, 2061 has been amended as follows:

Particulars	Amount*
Chartered Accountant holding Certificate Of Practice (COP)	Any Amount
Register Auditor (RA) holding COP "B" Class	Upto 1 billion
Register Auditor (RA) holding COP "C" Class	Upto 250 million
Register Auditor (RA) holding COP "D" Class	Upto 50 million
Accounting Technician having auditing license	Upto 200 million

*Amount means the total amount of Assets or Liability of the Balance sheet, and in case of entity not preparing the Balance sheet, the total of profit or loss or income or expense.

Change in rental tax rate for Kathmandu Metropolitan City

Effective from F/Y 2075-76, in case of landlord being individual person, tenant shall withhold rental tax at the rate of 10% and deposit the same at Kathmandu Metropolitan office. Previously the rate of rental tax was 12%.

Major Highlight from budget FY 2075/76 with respect to tax

- Slab rate for resident natural person

Tax Banding	Tax Rates for the financial Year 2018-19			
	Individual		Couple	
Resident				
(a) First Slab	350,000	1%	400,000	1%
(b) Second Slab	100,000	10%	100,000	10%
(c) Third Slab	450,001 to 650,000	20%	500,001 to 700,000	20%
(d) Fourth Slab	650,001 to 2,000,000	30%	700,001 to 2,000,000	30%
(e) Above 2,000,000	-	36%	-	36%

- TDS on payment for freight relating to carriage of goods - 2.5%
- TDS on payment of commission relating to reinsurance premium to non- resident insurance company - 1.5%
- TDS on payment exceeding 50 lakhs made towards the works done through the consumer committee -1.5%
- TDS on Gain on disposal of Interest in any resident entity (listed)
 - To resident natural person – 7.5%
 - To resident entity – 10%
 - Others (including non-resident person) -25%

- TDS on Gain on disposal of Interests in any resident entity (unlisted)
 - To resident natural person - 10%
 - To resident entity - 15%
 - Others (including non-resident person) - 25%
- TDS on payment made to one who prepares question, check/ evaluates answer - 15%

Change in rate of TDS non-filer fine:

Penalty in case of Withholding Tax Return under Section 90(1) not filed by tax withholding agent: 2.5% p.a. for month and part of month on the amount of tax to withheld.

Circular to Clearing member regarding Windfall Gain Tax

CDS and Clearing Limited has issued a circular on 32 Ashadh 2075 to all clearing members to collect 25% windfall tax under section 88(ka) of Income Tax Act, 2058 on closeout amount received by buyer aroused due to securities shortage while trading as per subsection 2 of section 21 of Securities Clearing and Settlement Guideline 2069 (Amended). The same is effective starting from FY-2075/76.

Currently, a buyer is provided 20 percent compensation on call out i.e., a seller is penalized 20% of the shortage amount in case of failure to transfer the sold stocks within T+3 days. The government has now levied 25 percent windfall tax on the same compensation.

Increment in Minimum Wage

The Government of Nepal has fixed minimum monthly wage of laborers at NRs 13,450 effective from F/Y 2075-76, which is an increase of 38.66% from the previous minimum wage of NRs 9,700 per month.

Consequently, other related benefits like festival allowance, leave allowance, maternity allowance, health and accident insurance allowance etc. shall also be increased.

Similarly, on a daily basis the wage rate has been increased to NRs 517 per day and in case the wage is to be paid on an hourly basis the wage rate has been fixed at NRs 69 per hour.

This new provision of minimum wage rate is not applicable for the workers working in the Tea Estate.

Introduction of Securities Listing and Transactions Regulation, 2075

Securities Board of Nepal (SEBON) has introduced Securities Listing and Transactions Regulation, 2075 in order to make the process of listing and transacting more simplified, techno-friendly and market friendly. This regulation has repealed the existing Securities Transactions Regulation, 2050 and will come in to effect from 1 Shrawan, 2075.

With the introduction of this regulation, companies are now required to apply for listing within 7 days (30 Days as per Securities Transactions Regulation, 2050) of allotment of securities issued on public issue. Companies will be classified under category A, B, G and Z based on their paid-up capital, return, and compliance. The regulation has also introduced more stringent provisions relating to delisting of securities, surveillance system, etc.

This regulation has required the companies listed in stock market to conduct system audit in every two years and all monetary transactions are to be executed only through the banking channel.

Publication of NFRS compliant Financial Statement

Central Bank of Nepal, Nepal Rastra Bank has issued Nepal Financial Reporting Standards (NFRS) compliant financial statement format for “A” class banks. This is an update on circular 4 of United Directives. This format of financial statement shall be applicable from 1 Shrawan 2075.

Monetary Policy 2075-76 unveiled

Nepal Rastra Bank, the central regulatory and monetary authority, has unveiled the Monetary Policy for 2018/19 on 11 July, 2018. Along with the assessment of policies and programs of Monetary Policy 2074/75, the current Monetary Policy 2075/76 has introduced various provisions for money management, credit management, long term interest management, etc.

Monetary Policy has set a target of 8% GDP growth rate and has planned to restrict the inflation rate within 6.5%. Cash reserve ratio has been reduced for additional investable funds in Nation's development. Likewise, SLR has also been relaxed. The maximum limit of personal overdraft loan including revolving credit has been decreased from existing NRs 7.5 million to NRs 5 Million. This policy seems more open to private sector borrowing from overseas as well. Every commercial bank now is required to open its regional head office in all provinces. Minimum lending to priority sectors by commercial banks has been changed from existing generalized 25% to specific 10% in agriculture sector and 15% in energy and tourism sector. Further, minimum deprived sector lending has been changed to 5% uniformly for all commercial banks, development banks and financial institutions.

Monetary Policy has also incorporated the provision of audit of large branches of commercial banks, identified based on deposit and liabilities, credit lending and assets. Similarly, certification of current assets and liabilities of borrower by independent third party for loan of commercial overdraft nature above NRs. 250 Million and preparation of NFRS based financial statements by development bank and finance company, has also been incorporated.

Summary of monetary policy can be accessed from <http://www.trunco.com.np/pdf/Highlights-Monetary-Policy2017-18.pdf>.

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