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Notice regarding deposit of 50 percent of Value Added Tax (VAT)

Inland Revenue Department has issued a notice regarding applicability of 21st amendment in VAT Act 2052 and VAT Rule 2053 made by finance act 2076 from 15 Jestha 2076 (29 May 2019). In the amendment, VAT Rule 6(Ga) is added after Rule 6(Kha) which states that during the payment to the contractor or service provider providing goods and/or services being wholly or partially related to Government of Nepal, shall deposit 50% of the VAT amount directly to the IRD on behalf of the supplier and remaining VAT amount shall be paid to the supplier under related heading. The related contractor or service provider should be informed about the tax paid, and the tax paid can be offset with the tax liability of the individual. For the same, following guidelines has been notified:

- During the payment to the contractor or service provider, the 50% of the VAT amount as per the invoice shall be deposited in the name of contractor or the supplier under the relevant tax heading (consultancy and contract- 33114 and supplier other than contract-33113)
- The Contractor or supplier should be informed about the VAT paid by the respective office on behalf of an individual.
- During the payment of VAT related contractor's/ supplier's Name, PAN number, related revenue heading, Bank code number, code number of Large Taxpayer's Office /Medium Taxpayer's Office/ Inland Revenue Office wherever the contractor/supplier is registered and the code number of taxpayer's service office shall be mentioned clearly and separate voucher should be filled for separate contractor/supplier.
- Detail of the Inland Revenue office that contractor/supplier is registered can be assessed through PAN search in the website of Inland Revenue Department (www.ird.gov.np)

Notice regarding additional VAT applicable goods and services and registration requirements

Inland Revenue Department has also issued a notice regarding attraction of VAT on wheat flour, soybean (masaura), tempo and transportation services as per the amendment made in VAT act 2052 by finance act 2076. Further, following businesses has also been added for compulsory VAT registration under section 10 of VAT Act 2052.

- Person operating educational and legal consultancy, accounting and auditing services within the area of metropolitan, sub-metropolitan, municipality
- Alcohol, Wine, Health Club, Disco, Massage Therapy, Motor Parts, Electronic Software, Custom Agent, Toys business and Scrap business.

Such amendments are effective from 15 Jestha 2076 (29 May 2019).

Contact

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