

# Amnesty to Taxpayers (Finance Act 2077)

On 28 May 2020, the Government announced various tax amnesties through Finance Act, 2077 to provide relief to those taxpayers already registered and also unregistered with an objective of bringing them into the ambit of taxation. In addition, certain tax relief measures were announced to MSMEs and SMEs affected by the current COVID-19 crisis. We have compiled a brief overview to understand various aspects of those amenities as discussed below:

## 1. Amnesty on withdrawal of appeals on disputed taxes

### What the amnesty offers?

The taxpayer withdraws all appeals made to the Director General of IRD, Revenue Tribunal or in the appellate Courts on account of disputed taxes up to Ashad 2075 (except cases relating to false and fake invoices) under the Income Tax Act, 2058, Value Added Tax Act, 2052 and Excise Act, 2058.

### What needs to be paid?

Applicable taxes and interest assessed by the tax officer as per the final assessment order.

### What is waived?

Applicable fees, additional charges and penalty.

### Who can be benefited?

Taxpayers who have filed appeals against tax assessed up to Ashad 2075 under various direct and indirect tax laws.

### What procedures to follow?

- File application to the assessment officer for opting the amnesty
- Withdraw the pending cases from the respective appellate authorities
- Deposit applicable tax and interest as per final assessment order
- Furnish the evidence to the assessment officer in the respective tax office
- Obtain tax clearance for the respective years

### When shall the application be filed?

The process shall be commenced immediately by withdrawing the cases and applicable taxes and interest paid by Falgun end 2077.

### PKF Nepal Comments

*This amnesty provides an opportunity to the taxpayers to review their petition at various appellate authorities and consider withdrawing such cases where there is a likelihood that the decision will not be in their favor thus saving on the payment of the applicable fees, additional fee and penalty.*



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## 2. Amnesty to unregistered persons by submitting returns for two fiscal years

### What the amnesty offers?

If any taxpayer registers and obtains permanent account number (PAN) and submits the tax returns for FY 2074-75 & 2075-76 and deposits the applicable tax by end of Falgun 2077.

### What needs to be paid?

Applicable taxes on taxable income for FY 2074-75 & 2075-76.

### What is waived?

- a) The interest and penalty for FY 2074-75 & 2075-76.
- b) The taxes, interest and penalty for earlier years.

### Who can be benefited?

Persons having taxable income and liable to pay tax but not yet registered in PAN, e.g.:

- a) expatriates working in Nepal and earning remuneration but not registered
- b) employees having employment income from diplomatic missions but not paying taxes
- c) commission and real estate agents
- d) teachers
- e) professionals operating without registration
- f) businesses operating without registration
- g) any other person

### What procedures to follow?

- a) File an application for opting the amnesty
- b) Register and obtain PAN
- c) Prepare tax returns for FY 2074-75 & 2075-76
- d) Compute applicable tax for the above mentioned periods
- e) Deposit tax amount and submit tax returns by the end of Falgun 2077

### When shall the application be filed?

The taxpayer shall commence the process immediately to prepare the tax returns for the last two fiscal years to be able to register and deposit the taxes by end of Falgun 2077.

### PKF Comments

*This one-time opportunity should be opted by unregistered persons having taxable income earned from legal source as the GoN, to meet its challenging revenue targets, would adopt stringent measures to collect taxes, including interest and penalty in the future.*

*The GoN has provided this amnesty with an objective of spreading its tax net rather than increasing the tax rates for increasing the revenue collection.*

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### 3. Amnesty to natural persons or entities with specified turnover

#### What the amnesty offers?

- a) A natural person registered in PAN with a turnover of less than Rs 5 million has not submitted tax returns submits such returns for FY 2073-74, 2074-75 & 2075-76.
- b) A natural person or entity registered in PAN and a turnover of more than Rs 5 million has not submitted the tax returns for FY 2073-74 and earlier.

#### What needs to be paid?

- a) Applicable taxes as per the tax returns and 25% of the interest for FY 2073-74, 2074-75 & 2075-76.
- b) Applicable taxes as per the tax returns for FY 2073-74 and earlier and 25% of the interest.

#### What is waived?

- a) Filing of tax returns prior to FY 2073-74 and applicable taxes thereon, fees and 75% of interest.
- b) Fees and 75% of interest on FY 2073-74 and earlier.

#### Who can be benefited?

A natural person with turnover up to Rs 5 million who has neither submitted tax returns nor deposited applicable taxes for FY 2075-76 and earlier.

MSMEs with turnover up to Rs 5 million who have neither submitted tax returns nor deposited applicable taxes for FY 2073-74 and earlier.

#### What procedures to follow?

- a) File application to the IRD for opting the amnesty.
- b) Prepare tax returns for the specified periods as per requirement
- c) Compute applicable tax and interest
- d) Deposit tax amount and submit tax returns by the end of Falgun 2077.

#### PKF Nepal Comments

*Registered MSMEs and natural persons should opt for this amnesty to benefit from the waiver. Once taxes are paid, they shall be eligible to avail credit facilities from banks and financial institution for expansion of the business.*

*The GoN could have provided additional concession on interest to attract more taxpayers to opt for this amnesty and extend the period till 2075-76 for taxpayers with turnover in excess of Rs 5 million. Additionally, consideration could have been made to pay the tax in installments due to cash crunch affecting businesses during the pandemic.*

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#### 4. Amnesty to VAT registered persons

##### What the amnesty offers?

Where a VAT registered person, who have not filed and paid taxes up to Ashad 2075, submits the VAT returns and pays the applicable taxes and 50% of the interest by end of Falgun 2077.

Those taxpayers who have not filed their returns till Ashad 2073 will be automatically deregistered. Charges applicable for late filing of the returns shall be waived however, the remaining due taxes, interest and fees shall be recovered.

##### What needs to be paid?

- a) Applicable taxes as per the VAT returns up to Ashad 2075.
- b) 50% interest thereon.

##### What is waived?

Applicable penalty, additional fees, and remaining interest.

##### Who can be benefited?

A VAT registered defaulter who has not paid taxes and filed returns e.g.:

- a) Manpower agents,
- b) Commission agents, etc.
- c) Consultants

##### What procedures to follow?

- a) File application to the IRD for opting the amnesty.
- b) Prepare VAT returns from the last date of not filing up to FY 2074-75
- c) Compute applicable tax and 50% interest thereon.
- d) Deposit tax amount and submit tax returns by the end of Falgun 2077.

##### PKF Nepal Comments

*VAT registered taxpayers who have defaulted by not filing the returns and depositing the taxes should opt for this amnesty as there will be a significant savings from not paying interest, additional fees and penalty.*

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## 5. Amnesty on assessments under the repealed direct and indirect tax laws

### What the amnesty offers?

- a) Taxes assessed as per Income Tax Act, 2031 but not yet recovered; and
- b) Taxes assessed under the repealed sales tax, entertainment tax, contract tax, hotel tax which were replaced by the VAT Act 2052 and outstanding up to Ashad 2060.

### What needs to be paid?

Taxes as per assessment less Rs 50,000 for each assessment.

### What is waived?

Rs 50,000 on each assessed tax and interest thereon.

### Who can be benefited?

Those assesses who have not cleared their due taxes till Ashad 2060 under the repealed tax laws.

### What procedures to follow?

- a) File application to the assessment officer for availing benefit.
- b) Deposit due taxes as recorded up to 2060.

### PKF Nepal Comments

*This is a one-time opportunity to clear all taxes outstanding under the repealed laws with a discount of Rs 50,000 and remove the name from the list of tax defaulters. Where the due tax is below Rs 50,000 it is assumed that the entire due is waived but the taxpayer has to update the records with the tax authorities.*

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## 6. Rebate in tax rates for COVID-19 impacted MSMEs

### What the amnesty offers?

- a) The following rebate in the tax rates have been announced for the FY 2076-77 on MSMEs affected by COVID-19:
- Presumptive tax with turnover up to Rs 2 million                      75% rebate
  - Tax based on Transactions from Rs 2 to Rs 5 million              50% rebate
  - Transactions from Rs 5 to 10 million                                      25% rebate
- b) The hotel, travel, trekking, transport and airline industry with annual turnover in excess of Rs 10 million shall be entitled to a rebate of 20% on the applicable tax rates which reduced the tax rates to 20% from the existing 25%.

### What needs to be paid?

- a) For taxpayers opting for presumptive tax: Rs 1,875, Rs 1,000 and Rs 625 per annum registered in metropolitan and sub-metropolitan cities, municipalities and other areas, respectively.
- b) 0.125%, 0.375% and 1% of the turnover for businesses dealing in supply of gas, cigarettes and other business with commission of 3%, Other business and service providers (conditions apply), respectively.
- c) 25% rebate on tax rates for MSMEs with turnover between Rs 5 to 10 million
- d) Tax at the rate of 20% for hotel, travel, trekking, transport and airline industry.

### Who can be benefited?

- a) Micro, Cottage and SMEs
- b) Hotel, travel, trekking, transport and airline industry

### PKF Nepal Comments

*The rebate provided on the tax rates on taxable profits may be irrelevant at this juncture because most of the business are closed due to the pandemic and there are no signs of revival. These businesses were expecting a stimulus package in the form of cash incentives to sustain the operations and stimulate the economy rather than tax rebates as tax liability would not arise when there are no profits to report.*

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