

## Amnesty to Taxpayers (Finance Ordinance 2078)

On 29 May 2021, the Government announced various tax amnesties through Finance Ordinance, 2078 to provide relief to those taxpayers already registered and also unregistered with an objective of bringing them into the ambit of taxation. 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 the appeals made to various levels (Administrative Review, Revenue Tribunal or in the Courts) on account of dispute for tax assessment order (except in the cases relating to false and fake invoices) issued till 15 July 2020 (Ashad end 2077) under the Income Tax Act, 2058, Value Added Tax Act, 2052 and Excise Act 2058 .

#### What needs to be paid?

The assessed principal taxes including 50% of the applicable interest (interest calculated up to application date of availing this waiver facility) by 15 December 2021 (Mangsir end 2078).

#### What is waived?

Applicable fees, additional charges, penalty and remaining interest.

#### Who can be benefited?

Taxpayers who have filed appeals against tax assessed up to 15 July 2020 (Ashad 2077) under various direct and indirect tax laws.

#### What procedures to follow?

- a) File an application to the assessment officer for opting the amnesty
- b) Withdraw the pending cases from the respective appellate authorities
- c) Deposit applicable tax and 50% of the applicable interest (interest calculated up to application date of availing this waiver facility)
- d) Furnish the evidence to the assessment officer in the respective tax office

#### When shall the application be filed?

The process shall be commenced immediately by withdrawing the cases and applicable taxes and interest paid by 15 December 2021 (Mangsir end 2078).

#### 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, penalty and interest.*

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## 2. Amnesty on payment of outstanding dues under prevailing laws

### What the amnesty offers?

The taxpayer pays outstanding taxes as per assessment or amended assessment order issued (except in the cases of outstanding payables relating to false and fake invoices) till 16 July 2019 (Ashad end 2076) under the Income Tax Act, 2058, Value Added Tax Act, 2052 and Excise Act 2058 and applicable interest (interest calculated up to application date of availing this waiver facility) by 14 January 2022 (Poush end 2078).

### What needs to be paid?

Outstanding taxes as per assessment or amended assessment order issued till 16 July 2019 (Ashad end 2076) and applicable interest (interest calculated up to application date of availing this waiver facility).

### What is waived?

The fees, additional charges and penalty for FY 2076-77.

### Who can be benefited?

Taxpayers having outstanding dues as per assessment or amended assessment order issued till 16 July 2019 (Ashad end 2076) under the Income Tax Act, 2058, Value Added Tax Act, 2052 and Excise Act 2058.

### What procedures to follow?

- a) File an application for opting the amnesty
- b) Deposit applicable tax and interest (interest calculated up to application date of availing this waiver facility)
- c) Furnish the evidence to the assessment officer in the respective tax office

### When shall the application be filed?

The process shall be commenced immediately by withdrawing the cases and applicable taxes and interest paid by 14 January 2022 (Poush end 2078).

### PKF Comments

*This amnesty provides an opportunity to the taxpayers to clear their outstanding dues arising from assessment or amended assessment up to FY 2076-77 on the payment of the outstanding dues and applicable interest.*

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### 3. Amnesty on payment of outstanding dues under old tax laws

#### What the amnesty offers?

The taxpayer pays 75% of unrecovered overdue amount relating to assessments carried out as per the Excise Act 2015, Income Tax Act 2031, Acts repealed by Value Added Tax Act 2052 (Hotel Tax, Entertainment Tax, Contract Tax, Sales Tax Act) within 14 January 2022 (Push end 2078).

#### What needs to be paid?

75% of the outstanding dues as per Excise Act 2015, Income Tax Act 2031, repealed by Value Added Tax Act 2052 (Hotel Tax, Entertainment Tax, Contract Tax, Sales Tax Act)

#### What is waived?

The balance 25% of such tax or duty, fees, penalty and interest.

#### Who can be benefited?

Taxpayers having outstanding dues as per old laws of Excise Act 2015, Income Tax Act 2031, repealed by Value Added Tax Act 2052 (Hotel Tax, Entertainment Tax, Contract Tax, Sales Tax Act)

#### What procedures to follow?

- d) File an application for opting the amnesty
- e) Deposit 75% of the outstanding dues
- f) Furnish the evidence to the assessment officer in the respective tax office

#### When shall the application be filed?

The process shall be commenced immediately by withdrawing the cases and applicable taxes and interest paid by 14 January 2022 (Push end 2078).

#### PKF Comments

*This amnesty provides an opportunity to the taxpayers to clear their outstanding dues under the old laws on the payment of 75% of the outstanding dues till date.*

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#### 4. **Amnesty on application of waiver by Non-profit motive community hospitals and electronic network based transport service providers**

##### **What the amnesty offers?**

Those non-profit motive community hospitals or health organizations and electronic network based transport service providers make an application for waiver of assessed tax dues within 14 January 2022 and having not initiated any legal appeal/ proceedings, shall be provided such waiver of outstanding tax dues as per assessment or reassessment conducted before 29 May 2021 (15 Jestha 2078) under VAT Act, 2052 and Income Tax Act, 2058.

##### **What is waived?**

The assessed tax dues up to 29 May 2021 (15 Jestha 2078) under VAT Act, 2052 and Income Tax Act, 2058.

##### **What procedures to follow?**

- a) File application to the IRD for opting the amnesty.
- b) Ensure that no legal proceedings have been initiated for assessment by IRD up to 15 Jestha 2078

##### **Who can be benefited?**

Non-profit motive community hospitals or health organizations and electronic network based transport service providers making application for waiver within 14 January 2022 (Poush end 2078).

##### **PKF Nepal Comments**

*The non-profit motive community hospitals or health organizations and electronic network based transport service providers, who were previously brought into ambit of VAT Act, 2052 by the IRD and assessed for VAT has now been released of the liabilities on filing of application of waiver to the IRD.*

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## 5. Amnesty on trekking packages for travel and trekking agency

### What the amnesty offers?

Persons engaged in travel and trekking agency related transaction and treating taxable transactions as tax exempt and not collecting and depositing VAT thereon in the following three cases:

- a) If such person makes self-declaration of taxable transaction up to 28 May 2021 (14 Jestha 2078) and deposit VAT on such transactions within 14 January 2022 (Poush end 2078).
- b) In case such person deposits outstanding dues (principal VAT dues) within 14 January 2022 based on assessment order made by IRO.
- c) In case such person withdraws cases filed for administrative review or at revenue tribunal and pays assessed tax within 14 January 2022.

### What needs to be paid?

- a) VAT on self-declared transactions up to 28 May 2021 (14 Jestha 2078) in relation to tour packages.
- b) Outstanding dues (VAT) based on assessment order made by IRO for transactions up to 28 May 2021 (14 Jestha 2078).
- c) Assessed tax by tax officer for the cases under Administrative Review or Revenue Tribunal.

### What is waived?

Additional charges, interest and penalties thereon.

### Who can be benefited?

Persons engaged in travel and trekking agency related transaction and treating taxable transactions as tax exempt and not collecting and depositing VAT thereon for period up to 14 Jestha 2078 (28 May 2021).

### What procedures to follow?

An application shall be filed to IRD for the amnesty and opt for the below measures within 14 January 2022 (Poush end 2078) :

- a) Self-declaration of taxable transactions up to 28 May 2021 (14 Jestha 2078) and deposit VAT on such declared transactions.
- b) Deposit of outstanding dues on assessment order made by IRO for transactions up to 28 May 2021 (14 Jestha 2078).
- c) Withdraw the appeals, if any under Administrative Review or Revenue Tribunal and deposit the tax assessed by tax officer.
- d) Furnish the evidence to the assessment officer in the respective tax office

### PKF Nepal Comments

*Through the Finance Ordinance 2078, trekking and tour packages are enlisted in the exemption list with effect from 29 May 2021 (15 Jestha 2078) giving an opportunity to the travel and tour agencies involved in such transactions (previously taxable) to clear the dues through 3 different optional schemes.*

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## 6. Amnesty to Private Firms and Companies

### What the amnesty offers?

Private firms and companies that are registered under Private Firm Registration Act, 2014 and Companies Act, 2063 and have not submitted their annual returns up to FY 2075/76 (2018/19) and failing to renew its business can submit such returns and deposit 10% of applicable fees and penalties by 17 October 2021 (Asoj end 2078).

### What needs to be paid?

10% of applicable fees of renewal and penalties for delay in submission of annual returns.

### What is waived?

Remaining 90% fees and penalties.

### Who can be benefited?

Private firm and Companies who submit the pending annual returns up to FY 2075/76 and apply for renewal by 17 October 2021 (Asoj end 2078).

### PKF Nepal Comments

*The amnesty is provided to the Private firms and Companies so as to encourage the regularity in annual returns filing and effect timely renewal as required by the law.*

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## 7. Relief to issuers of certificate of origin

### What the amnesty offers?

Unpaid applicable VAT and interest, additional charges and penalties on VAT as determined by the IRO for certificate of origin issued up to 28 May 2021 (14 Jestha 2078) for goods to be exported shall be exempted in the case of entities issuing certificate of origin.

### What is waived?

Applicable fees, additional charges, penalties and interest.

### Who can be benefited?

Issuers of certificate of origin issued up to 28 May 2021 (14 Jestha 2078) for goods to be exported

### PKF Nepal Comments

*As the "Issue of certificate of origin" has been enlisted in VAT exemption list with effect from 29 May 2021 (15 Jestha 2078) thus the relief is provided to waive off dues up to that date that had not been collected and paid by the issuers of certificate of origin as the services was taxable.*

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## 8. Special relief to health service provider organizations

### What the amnesty offers?

The health service provider organizations shall pay outstanding VAT payable after debit adjustment by health service providers as a result of declaration of non-applicability of VAT (VAT exemption) on items that were previously taxable are paid within 16 July 2022 (Ashad end 2079).

### What needs to be paid?

VAT payable after debit adjustment of the input credit available.

### What is waived?

Additional fees and interest.

### Who can be benefited?

Health Service Provider Organizations who have balance input VAT after adjusting with output VAT and proceed for deposit of the balance payable after debit adjustment of such Input VAT within 16 July 2022 (Ashad end 2079).

### PKF Nepal Comments

*The special relief has been provided to health service provider organizations in order to encourage them towards the utilization of available input VAT credit and continue their services fairly.*

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## 9. Special relief in relation to renewal of Excise license

### What the amnesty offers?

Licensee under Excise Act, 2058 who had failed to renew license for one or more than one year within prescribed date and wishes to renew and continue transactions pay the renewal fees within 16 August 2021 (Shrawan end 2078) for each year of default.

Failure to renew and pay the applicable fees within 16 August 2021 shall trigger automatic cancellation of excise license.

### What needs to be paid?

Renewal fees of excise for each year of default.

### What is waived?

Penal charges on delay in renewal of excise license.




### Who can be benefited?

Licensee under Excise Act, 2058 who had failed to renew license within prescribed date and wishes to renew and continue transactions on payment of the renewal fees within 16 August 2021 (Shrawan end 2078).

### PKF Nepal Comments

*The special relief has been provided so as to encourage the dormant license holders under Excise Act to continue their business and a last time opportunity to prevent the cancellation of license.*

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## 10. Special relief on second renewal of GSM Mobile service

### What the amnesty offers?

Nepal Telecommunication Company Limited (NTC) pays the second renewal of GSM Mobile Service from FY 2070/71 to FY 2075/76 in five installments starting from FY 2075-76.

Payment of second renewal of GSM Mobile Service from FY 2070/71 to FY 2075/76 by NTC in five installments starting from FY 2075-76 as mentioned above, shall be included in the taxable income of Nepal Telecommunication Authority (NTA).

### What needs to be paid?

Annual installments of the second renewal of GSM Mobile Service from FY 2071/72 to FY 2075/76 in five installments starting first installment from FY 2075/76.

### Who can be benefited?

Such payments made on installments shall be allowed to be claimed as expenses while computing the total taxable income in the year of payment i.e. on cash basis by NTC.

### PKF Nepal Comments

*The special relief has been provided to NTC keeping in mind the enormous no. of users of the company and disruption in the services in case of any penal charges to company on delay in payment of the renewal charges and to encourage NTC towards payment through treatment as allowable expense on cash basis.*

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