

Changes and Reforms in Tax 2076-77

Indirect Tax Highlights

1. Changes in custom rate for promotion of domestic production of agro based and industrial products for self-dependency on production and to discourage import of goods detrimental for public health.
2. For promotion of export, exemption on custom (Mahasul) on export of goods excepts alcohol and tobacco based products, raw material to be consumed domestically, and basic agricultural products.
3. For promotion of export, facility of bonded warehouse is provided to import of all types of raw materials for producers who export their product exceeding 20 %.
4. Custom rate for import of some industrial raw materials reduced in comparison to custom rate for import of finished goods.
5. Exemption of 50 % customs on import of vehicle by agro based cooperatives.
6. 1% of custom rate is applicable for import of following number of ambulances by different local level authorities in recommendation of Ministry of Health and Population : Budget Highlights 2076/77 The Institute of Chartered Accountants of Nepal Page 14 of 19 a. Rural Municipality : 2 ambulances b. Municipality : 3 ambulances c. Sub- metropolitan city and metropolitan city : 4 ambulances
7. 1 % custom rate is applicable for import of Mill machinery, spare parts and chemicals for self-utilization by textile industries.
8. Custom rate is reduced for import of machinery and equipments by industries with high prospects in domestic market such as textile industry, thread industry, tea industry, basic medicine industry, sanitary pad industry , feed supplement industry for their protection and promotion
9. For promotion of water transport in nation, import of all types of transport medium for water transport is subject to 5% custom rate instead of 15 %.
10. Nepalese Nationals are allowed to import up to 100 gram gold ornaments while returning from foreign countries by paying applicable custom.
11. In order to protect and promote the domestic production of goods on which Nation is self-dependent such as tea, coffee, dairy products, ghee, chicken, biscuits, noodles, banana, peas, peanuts, potato chips, ice cream, juice, mineral water, sugar, sakhar, chocolate, chewing gum, pasta, zinc sheet, shoes, sandals, thread, tent and industrial goods, custom rate is increased for import of such goods.
12. VAT refund can be claimed in case of continuous VAT receivable/credit for 4 months instead of 6 months.
13. Person and Entities enjoying diplomatic facilities can get immediate VAT refund if they purchase goods and services from listed firms.
14. Unregistered startup businesses operating with innovative ideas, skills, entrepreneurship and technology are exempted on tax, fines, penalties, additional fees and interest applicable (Both income tax and VAT) before fiscal year 2075/76 if they register in VAT and Income tax within Poush 2076;
15. Custom and excise on products that are detrimental to health such as alcohol, cigarettes, and other tobacco based and other products detrimental to health is slightly increased.

Direct tax Highlights

1. Basic exemption limit on remuneration tax is changed as under:
 - a) Individual 400,000.00
 - b) Couple 450,000.00
2. To implement policy of “One man one PAN”, facility of obtaining pan registration will be made available from every Inland Revenue office.
3. In order to encourage investment in share, applicable tax rate for natural person is reduced to 5 % from 7.5 % and calculation of tax on share transaction will be based on weighted average cost method.
4. Capital gain tax on real-estate business is reduced
5. Tax rate applicable for cooperatives involved in financial transactions is as follows
Cooperatives operating in municipal areas : 5 % Cooperatives operating in metropolitan and sub-metropolitan areas : 10 % Budget Highlights 2076/77 The Institute of Chartered Accountants of Nepal Page 17 of 19
6. Transaction based presumptive tax is made progressive. Income tax on social security funds established as per Social Security Fund Act, 2074 is exempted.
7. Income tax facility and exemption on merger of Bank and Financial Institutions and Insurance Companies is available if letter of intent is submitted up to 2077 Ashad End. (Extended for one year).
8. Value added tax is not applicable for accident and health insurance.
9. Any error on tax return submitted can be rectified by submitting revised tax return within 30 days from the date of submission of erroneous tax return.

Reforms in Tax Administration

1. Biometric system will be implemented for reform in tax registration system.
2. Unified tax system will be formulated for simple and transparent tax laws.
3. Necessary arrangements will be made for submitting the documents for custom clearance through electronic medium.
4. Amount to be deposited for administrative review is reduced to 1/4th of disputed tax from 1/3rd of disputed tax.
5. 10 % of VAT of the related invoice will be deposited directly to bank account of buyer on purchase of goods or services through card or online payment system. Withholding tax is not applicable for such deposit.
6. Import of goods without description of quality, inferior goods, goods that may have detrimental effect on health compulsory labeling will be controlled. Necessary arrangement will be made for sale of such product only with the label of importer and distributor.
7. Arrangement will be made for payment of all types of tax through online payment system and issuing invoice through electronic mechanism. Simplified arrangement for tax refund form related Inland Revenue office has been made. Facility of providing automatic tax clearance certificate from system of Inland Revenue department to taxpayers without any tax dues.

8. Arrangement will be made tracking system of different stages such as production, transportation until sales in order to minimize tax evasion. Revenue Board will be established for conducting study and research related to revenue matters, for providing policy related and operational advices to Government, and to handle the affairs currently dealt by Revenue Advisory Committee.

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