

Nepal Budget 2007 Summary.....

B. K. Agrawal & Co.

The Hon'ble Finance Minister, Dr. Ram Sharan Mahat presented the Budget On Wednesday, Ashad 28, 2064 (July 12, 2007) for the financial year 2064/65 (2007-08), The key highlights in the budget, how it affects the individuals and corporate business entities in Nepal as well as Overseas entities proposing to do business in Nepal are outlined below.

The direct tax provisions contained in the Finance Bill will generally apply to financial year ending Ashad 32, 2065 (July 16, 2007 to July 16, 2008), unless specifically stated otherwise. Further, Special Tax on import, Customs Duty, Excise Duty and Land Registration Fee shall be applicable with effect from Ashad 28, 2064 and others w.e.f. Shrawan 1, 2064.

FOREWORD

Stability of policies and fiscal regime is the underlying tone of the Budget 2007. It also reflects the strong determination of the government to take the country along the path of high growth both qualitatively and quantitatively. It is very rightly felt in the context of our nation, "Growth will be our mount; equity will be our companion; and social justice will be our destination".

OBJECTIVES & PRIORITIES

The Finance Minister Dr. Ram Sharan Mahat presented the Budget 2064-65, outlining the following economic objectives and priorities:

- Establishment of Sustainable Peace, Stability and Strengthening of the Democratic System,
- Promotion of Investment,
- Alleviation of Poverty,
- Economic Prosperity,
- Development of Human Resource,
- Industrial & Investment Security,
- Opportunities for Foreign/Non-Resident Nepalese/Private Sector Investment.
- To promote peoples' rights to education, health and employment.
- To reduce economic inequality.

The Budget summary, which follows hereafter, contains a fiscal and economic review and the salient features in the Finance Bill 2064 with respect to direct and indirect taxes.

KEY ANNOUNCEMENTS

- Commercialization and increase in productivity of agriculture sector will be emphasized as agriculture is the mainstay of poverty alleviation.
- Develop infrastructure i.e. road, electricity and communication.
- Promote programs so as to mobilize domestic resources for small and medium scale and foreign investment for large scale hydro power projects.
- Programs will be carried out to achieve goal of "telephone at each village, mobile phone in everybody's hand and internet in each house" with a view to making communication available at people's doorsteps and in everybody's hands.
- To guarantee industrial and investment security, reform in legal and organization structure for creation of investment climate, procedural, additional provision for sick industry rehabilitation and opportunities for foreign, non-resident and private sector investment.
- A Special Economic Zone related law will be enacted for development and of industrial estates, export processing zones, tourism recreational spots and special commercial areas.
- An Investment Board with full authority will be set up for industrial investment. It will have a separate office and all the facilities to investors will be provided through this Board.
- Banking Sectors to be encouraged for establishing Infrastructure Bank.
- Private sectors will be encouraged to two cement industries in Dang and Surkhet considering increasing consumption and demand of cement.
- The carpet and garment industries will be provided 75 percent income tax rebate for five years effective from the transfer year if such industries relocate themselves outside the Kathmandu Valley.

- A new Tourism Policy, 2007 will be formulated by incorporating the long term vision and broad-based reform agenda of the tourism sector.
- Insolvency Administration Office and Secured Transaction Registrar's Office will be established next year Anti Money Laundering Act and Banking Fraud Control Law will be promulgated to control financial crimes.
- An arrangement will be made to allow the Non Resident Nepalese and organized foreign investors to invest in the secondary securities market.
- "Industrial Rehabilitation Fund" related procedures have already been approved for rehabilitation of sick industries from internal conflicts. A provision will be made to contribute in the Fund by Nepal Rastra Bank and Commercial Banks.
- Agriculture Business Promotion Policy will be formulated with a view to enhancing private sector participation in agriculture market infrastructure development and agro-industries
- *A High level Tax Arrear Settlement Commission will be constituted to realize the outstanding tax revenue assessed up to FY 2058-59.*

BUDGET PROPOSAL - DIRECT TAXATION

- Tax exemption limit has been increased by Rs. 15000. Accordingly, No tax payable if individual's taxable income is less than Rs. 115,000 for unmarried & Rs. 140,000 for married.
- Business income tax remains unchanged.
- 1.5% Additional Income Tax continues.
- Tax Holiday and Tax Rebate to industries in Special Economic Zone (SEZ).
- Carry Forward of Loss from Business and investment has been extended to 7 years from 4 years.
- Rate of Interest (levied by IRD) decreased to the tune of 10 %.

BUDGET PROPOSAL—INDIRECT TAXATION

Excise Duty

- Excise Duty levied on local sale of imported Motorcycle.
- Excise Duty slightly increased in Cement, juice, alcohol & cigarette.
- Excise Duty exempted on domestic production of Marbles.
- Deadline of Submission of Excise Tax and Excise Return has been extended to 25th from 7th of next month.

Customs Duty

- **The rate of Customs Duty on import prevailing as per Schedule-1 of Finance Act, 2063 shall be applicable in F/Y 2064-65 if not specifically dealt with in Finance Bill 2064.**
- The Import Duty for plastic granules, master batch, palm oil used in noodles etc., has been reduced.
- The Export Duty on Synthetic Yarn, Plastic goods, G. I. Pipes, Rice Bran, Molasses Corrugated Sheets has been waived and duty on Vanaspati Ghee has been reduced by 50%.

Value Added Tax (VAT)

- Rate of VAT remain at 13%.
- Bank Guarantee Facility for import of Raw Materials has been reduced to Export Sale of 60 % against Total Sales as compared to 80% in previous year.
- Vat Refund Facility availed on Sugar and Maida, Mobile, Textile, Wooden Match and Tyre-Tube Industries.
- Manufacturers (not having Bonded Warehouse or Pass Book facility) shall get refund of VAT at Flat Rate at customs point against export of finished goods.
- Sale to industries operating in Special Economic Zone, established under prevalent Law, shall be taxed at Zero %.

Highlights of the key tax proposals and their impact on certain key industry are stated in the annexure to this document.

We do not assume responsibility for any omission or errors. Professional advice should be obtained before acting on any information contained herein.

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Annexure – Highlights of Key Tax Proposals

DETAILED DIRECT TAX PROPOSALS

Rate of Taxes

- Basic rate of taxes for individual has been changed as follows:

Individual	Rate
Resident	
Up to Rs. 140,000 in case of married (includes widow & widower) & Rs. 115,000 in case of unmarried.	Nil
Next Rs. 85,000	15%
Balance	25%
Non Resident	
Any Amount	25%

Note:

- In case of resident disabled natural person an additional 50% of exemption limit shall be allowed to be deducted (Sec 9Ka of Schedule-1)
- Basic rate of taxes for entities are as follows:

Entities	Rate
Bank & Finance Company, General Insurance Company, Petroleum entities; Cigarette Beer and Alcohol Company	30%
Special Industries	20%
Entities constructing & operating road, bridges, tunnel, ropeway, trolley bus and tram	20%
Entity wholly engaged in the projects conducted so as to build public infrastructure, own, operate and transfer it to the HMG & in power generation, transmission, or distribution	20%
Non-resident person Providing Shipping, Air Transport or Telecommunications Services in Nepal	5%
Private Ltd., Limited, Partnership Firm not specifically mentioned above	25%.

Airline Services having office in and business in Nepal but not operating flights to and within Nepal	2%
All Export Entities	20%
Co-operative Institution registered under Co-operative Act, 2048 (except dealers in exempted transaction)	20%

- Additional Tax of 1.50% shall be levied in addition to above. (But the same shall not be levied up to tax slab of 15% to individual.)
- Presumptive Taxation
Individuals having Rs 150,000/- income or Rs 1,500,000/- turnover of the business shall be taxed as follows:

Individuals Conducting Business	Tax Rs.
In the Metropolitan or Sub Metropolitan Cities	2,000
In Municipalities	1,500
Anywhere else in Nepal	1,000

Tax Concession and Rebates:

- 10 Years Tax Holiday and 50% Tax Rebate thereafter to industries established in Special Economic Zone (SEZ) of Himalayan Districts and other prescribed Hilly District.
- 5 Years Tax Holiday and 50% Tax Rebate thereafter to industries established in other Special Economic Zone (SEZ).

100% Rebate for first 5 Years and then 50% Rebate for next 3 Years on dividend distributed by industries established in Special Economic Zone (SEZ).

- 50% Rebate on Income Tax on income from Foreign Technology or Management Consultancy or Royalty earned by foreign investors of industry established in SEZ.
- 25% tax rebate to Information Technology Park continues.

• **Notes:**

- i. Husband and Wife having separate income from source are given choice to adopt either to get assessed separately or jointly as family.
- ii. The individual can deduct from his taxable salary, a sum equal to 7% of the sum assured or Rs. 10,000/- which ever is lower, for life insurance premium paid to Resident Insurance Company.
- iii. Repatriated income of a foreign permanent establishment of a non-resident person situated in Nepal for an income-year will be taxed @ 5%.

Withholding Taxes

Particulars	Rate
Remuneration (Sec.87)	Normal rate of Individual
Investment Returns & Service Fees (Sec.88)	
Natural Resource Payment	15%
Rent - Individuals	15% (Final Tax)
Rent – Others	15%
Royalty	15%
Gain from Investment Insurance	5% (Final Tax)
Compensation against Personal Accidents.	5 % (Final Tax)
Service Fees	15%
Service Fees paid to Service Oriented Resident person registered under VAT	1.50%
Meeting Allowances	15% (Final Tax)
Commission	15%
Bonus on Sales	15%
Aircraft Lease Payment	10%
Commission paid by Resident Companies to Non Residents	5%
Dividend distributed by Resident Companies to Residents	5%
Dividend distributed by Resident Companies to Non Residents	10%
Interest on Deposits / Debentures from Resident Bank, Finance Companies or listed companies and on Govt. Bonds to Individuals not related to business. (Earlier 6%)	5% (Final Tax)
Interest to Others-not stated above	15%

Gains from Unapproved Retirement interests (Earlier 10%)	5% (Final Tax)
Lump Sum Retirement Payment from Approved Fund & Nepal Government under Sec 65(1b) (Earlier 6%)	5% (Final Tax)
Teaching -not on regular basis	15% (Final Tax)
Contract Payments (Sec.89)*	
Payment under contract exceeding Rs.50000/-	1.5%
General Insurance Premium	1.5%
Payment to non-resident person under a contract	Rate as prescribed by IRD (otherwise, 1.50%)
Others	
Prizes, lotteries, or any other casual income either in cash or in kind	25%
Gain from disposal of interest in Resident Entity	
To Resident Individuals	10%
To Others (not applicable to Resident entity established under prevalent laws for dealing in purchase/sale of securities)	15%

▪ **Notes**

- * Rs. 50000/- referred to sec 89 shall be determined by aggregating a payment under a contract with any other payment made by the person or an associate of the person during the previous ten days under the same contract to the same payee or an associate of the payee.
- * **Contract refers to agreement entered into for supply of goods or labour or construction / erection / establishment of tangible assets or structure or any work prescribed as contract by the Inland Revenue Department.**
- No TDS is required to be deducted on the following:
 - Payment of remuneration to the writer of the articles published in Newspaper & magazines.
 - Payment of remuneration for preparation of question paper or checking of answer sheet

- Interregional interchange charges paid to a bank issuing Credit Cards.
- Interest or fee paid by Nepal Govt., under an agreement, to Foreign Govt. or an international organization (to which Nepal is a party).
- No Tax need to be deducted while making following Payments:
 - a. payment of interest to a resident bank or other resident financial institution
 - b. payments that are exempt from tax
- Withholding tax need to be deposited along with TDS Return with IRD within 15 days from end of month.
- **Non Attraction of TDS on payment of Service Fee to a resident company has been withdrawn.**
- **1.5 % TDS deduction under sec 87 and 88, against all VAT Invoice has been withdrawn.**
- Withholding Tax Certificate should be issued to the person from whom tax has been deducted based on the TDS Return filed with IRD to get the credit for such withholding tax.

- The presumptive tax-payers need not require paying any advance tax as above. Further if the tax amount is less than Rs 2000/- no installment is required to be paid.

Deduction for General Insurance Business

Following Expenses have been made allowed as deductible expenses for General Insurance Business:

- a. 50 % of Net Insurance Premium provided for Unexpired Risk and
- b. 115 % of outstanding claim at year end as per Insurance Act/Rules.

Special Provision relating to General Insurance Business

Tax, Fee or interest levied on account of Revised Tax Assessment due to disallowance of Reserve for Unexpired Risk and outstanding claim made up to F/Y 2063/64 as per provision of Insurance Act/Rules for General Insurance Business shall be waived off, if the application for waiver filed by Ashadh end, 2065.

Carry Forward of Loss

Carry Forward of Loss from Business and investment has been extended to 7 years from 4 years.

Penalty for Non-filing of Tax Return

- If Return of Estimated Income U/S 95 is not filed within due date then penalty @ Rs. 2000 per return shall be imposed. (Sec 117(1)(Ka))
- If Return of Income U/S 96 is not filed within due date then penalty @ 0.10% of turnover or Rs. 100 per month whichever is higher shall be imposed. (Sec 117(1)(Kha))

Advance Income Tax

- "Income Tax on current year's Income" shall be paid in three installments viz.

Time Period	Amount
Up to mid of January (Poush end)	40%
Up to mid of April (Chaitra end)	70%
Up to mid of July (Ashad end)	100%

- Where an installment of tax paid by a person is less than 80% of tax payable, the person shall be liable to pay an interest @ 15% for each month and part of month from the date of first installment on the amount to the excess of 80% of the installment that would have paid over the installment paid.

Advance Ruling

The practice of advance ruling is available to facilitate Income Tax assessment on the matters, which are not clarified in Income Tax Act and an application shall be made to the Director General of Inland Revenue Department.

Administrative Review (Appeal at DG)

Provision has been made to file an application in the department for the administrative review in the cases related to income tax and value added tax. Cash deposit of 1/3rd of disputed tax and 100% of undisputed tax payable is required. Arrangement has been made to decide upon the application within 60 days and notify the taxpayer.

General Interest Rate

General Rate of Interest charged by the Inland Revenue Department has been reduced to 10% from 15%.

Special Provision for Declaration of House Rent Income:

Incase Income Tax on House Rent Income up to F/Y 2062/63 as per Income Tax Act, 2058 has not been paid by an individual, the individual may declare the same and pay income tax @15 % on such income by Poush end, 2064; balance tax, fees and interest shall be waived off.

Special Provision relating to Carpet and Garment Industry:

Incase of transfer of Carpet or Garment industry from Kathmandu Valley (Kathmandu, Bhaktapur & Lalitpur District) to any other district, such industry shall be provided 75 % rebate on Income Tax for a period of 5 Years including the year of such transfer.

Special Provision relating to delay in Filing of Income Tax Return for F/Y 2062/63:

If Self Assessment Tax Return for F/Y 2062/63 u/s 96 of Income Tax Act, 2058 has not been submitted or fees on account of delay in submission of such Return has not been paid by an assessee, following fee shall be charged if the Return is submitted or below given fee is deposited by Poush end 2064:

For Assesses who have paid Pre-Assumptive Income Tax: Rs. 100 per month of delay.

For other Assesses: Rs. 100 per Month or 0.1% per year of Gross Total Income whichever is higher.

The balance fee shall be waived off.

Special Provision relating to waived interest and penalty

Incase of loan taken by a person for business purpose, any interest or penalty on such loan not paid during that year or succeeding years (due to waiver or any else reason) but booked as expenses on accrual basis, such amount should be added to the income of respective years and if tax not paid, 20 % of such income, if paid within Poush end, 2064; the balance tax, fee and interest shall be waived off.

Special Provision relating to Electronic Cash Register (ECR) and Fiscal Printer (FP):

ECR or FP purchased and used by person, prescribed by Inland Revenue Department, within 2064-65 shall be allowed to deduct the full invoice value of such ECR or FP.

Special Provision relating to Sticker Pasting Machine:

Sticker Pasting Machine purchased and used by industries manufacturing Liquor, Beer or Cigarette, within 2064-65 shall be allowed to deduct the full invoice value of such Machine.

Expenses incurred for Special Economic Zone preservation of heritage and development of sports infrastructure:

Rs 1 Million or 10 % of Assessable Income shall be allowed as expenses if incurred for preservation of national religious and cultural heritage sites in Nepal and development of sports infrastructure, with prior approval from the Inland Revenue Department.

DETAILED INDIRECT TAX PROPOSALS**Excise Duty**

- Payment of Excise duty on Self Removal System has been increased to 25 days from respective month end. Previously, it was 7 days.
- **Excise Duty has been levied on local sale of imported Motor Cycle for business purpose.**
- Excise Duty has been increased on following items:

Products	Rate
Ready Made Fruit Juice	Rs.2 / Litre
Soft Drinks (Alcohol free)	Rs.2 / Litre
Denatured Spirit (80-99 % Alcohol)	Rs.30 / Litre
Liquor (30UP)	Rs.252 / Litre
Liquor (50UP)	Rs.47.50 / Litre
Liquor (70UP)	Rs.7.80 / Litre
Cigarette 70 MM without Filter	Rs. 175 / M
Cigarette 70 MM with Filter	Rs. 360 / M
Cigarette (over 70 – up to 75 MM) with Filter	Rs. 460 / M
Cigarette (over 75 – up to 85 MM) with Filter	Rs. 600 / M
Cigarette (over 85 MM) with Filter	Rs. 795 / M
Cement	Rs. 150 /M.T
Picture Tube of Colour Television	5 %

- Excise Duty has been decreased on following items:

Products	Rate
Soft Drink having 0.50% alcohol.	Rs. 4 / Litre
Drinks other than Beer and Wine, having alcohol up to 12 %	Rs.125 / Litre
Noodles, Pasta, Macaroni	Rs. 7.50 / Kg

- Excise Duty Tariff for vehicles has been revised as follows:

Products	Rate
Car, Jeep & Van (Custom Code 8702 & 8703)	35 %
Micro Bus 11-14 Seater (Custom Code 8702)	35 %
Double Cab Pick Up (Custom Code 8704)	35 %
Three Wheeler (Auto Rickshaw) (Custom Code 8703)	35%
Single Cab Pick Up (Custom Code 8704)	20 %
Delivery Van (Custom Code 8704)	15 %
Mini Bus 15-25 Seater (Custom Code 8702.10.20)	15 %
Mini Bus 15-25 Seater (Custom Code 8702.90.20)	10%
15-25 Seater Vehicle (Custom Code 8702)	10%
Motorcycle (Custom Code 8711)	10 %

- **Excise Duty is exempted on domestic production of Marbles.**
- Excisable good exported out of Nepal or sold through bonded warehouse or duty free shop are continued to be exempted from excise duty.

Value Added Tax

- Industries having an export **over 60%** of total sales during last 12 months, may import raw material to the extent of manufacture of export quantity against Bank Guarantee of VAT amount. 20% Value Addition shall be required on such exports. ***Provision shall be made to release such Bank Guarantee from the related custom point.***
- Temporary VAT Registration needs to be obtained by the organizer of Temporary Exhibition, fare etc. and traders (not registered under VAT) transacting in taxable goods and services in such exhibitions. Within 7 days from the date of end of such exhibition, return needs to be filed tax needs to be paid.
- Non-Vat Registered persons dealing in Taxable goods and services should maintain Purchase and Sales Register duly attested. Otherwise a Fine of Rs. 1000 shall be levied for each contravention.
- Oxide, Hydroxide and minerals under Harmonic Code 28 and Raw Materials of Pharmaceutical Industries under Harmonic Code 29 and Packing Materials for Pharmaceutical Industries continue to be under exemption list of VAT.
- Cash Machine continues to be in Exemption list of VAT.
- VAT is exempted on Jute Batching Oil, engine of aero plane and helicopter.
- ***Vat Refund Facility (VAT collected on Sales less Vat paid on Purchase) has been availed to Textile, Wooden Match and Tyre-Tube Industries.***
- ***Vat Refund Facility [50% of (VAT collected on Sales less Vat paid on Purchase)] has been availed to Sugar and Maida (on Sugar and Maida Sale).***
- ***50% of VAT paid on purchase of Raw Materials of Mobile or Finished Goods shall be refunded to Domestic Manufacturer or importer of Mobile, upon submission of evidence of sale of such items.***
- ***Manufacturers (not having Bonded Warehouse or Pass Book facility) shall get refund of VAT at Flat Rate at custom point against export of finished goods on VAT paid on import of Raw Materials, Auxiliary Raw Materials and Packing Material (not manufactured in Nepal) used for manufacturing such finished goods. The procedure/periodicity of export/flat rate shall be prescribed in Nepal Gazette.***
- ***Sale of Raw Material and Manufactured Goods to industries operating in Special Economic Zone, established under prevalent Law, shall be taxed at Zero %.***

Customs Duty

- **The rate of Customs Duty on import prevailing as per Schedule-1 of Finance Act 2064 shall be applicable in F/Y 2064-65.**
- Rebate of 7% (on goods being leviable up to 25% custom duty) and Rebate of 5% (on goods which is leviable more than 25% custom duty) is allowed on the goods of Indian origin imported from India.
- 1% customs duty on import of Aircrafts, Helicopters, their engine and spares is continued. No LDT is levied on the same.
- In case of lease, 1% customs Duty is levied as deposit, which shall be refunded in case of return of the aircrafts. No LDT is levied.
- Rebate of 4% on goods of Chinese origin imported via Letter of credit from Tibet is also continued.
- Only 1% custom duty is charged on Ambulance and Dead Body Carrying Vehicle, imported by Government Hospital on recommendation of Ministry of Health & Population.
- In case of Micro bus & Mini buses imported by approved Private hospitals, on recommendation of Ministry of Health & Population or association of private health institution of Nepal, the following rebate is available:
 - Hospital having 15 to 50 bed sheet - 50% custom duty rebate for either one Microbus or Minibus.
 - Hospital having above 50 bed sheet – 50% of custom duty rebate for either two Microbus or Minibus.
 - Once those vehicle become obsolete/scrap then another vehicle as stated above can be imported, after submitting that evidence of such scrap to the custom office.
- In case of Ambulance and Dead Body Carrying Vehicle imported by private hospital, on recommendation of Ministry of Health and Population of Nepal, custom of charged is charged at 1%.
 - For one Ambulance and one Dead Body Carrying Vehicle – for hospital having less than 100 bed sheets.
 - For two Ambulances and one Dead Body Carrying Vehicle – for hospital having more than 100 bed sheets.
- Exemption of Customs duty on POY & Staple Fibers under Heading 54 & 55 imported by VAT registered Yarn Industries is continued.
- 50% customs duty rebate on Staple Fibers under heading 55 imported by carpet industries is also continued.
- Import Duty on Clinker for Cement is maintained at Rs. 1300 / MT
- Only 1% duty shall be levied on 10 KW and above generators at the time of import. NO LDT shall be levied.
- Customs duty of 1% shall be levied on import of Tori, Sarsyu, Rapseed, Rayo seeds. No LDT is levied.
- Only 1% Customs duty shall be levied on goods under HC 8469 to 8473 & 8476, computer hard disc, floppy disc, mobile phone, and goods under heading 91, pens/dot pens accessories at the time of import. LDT is also levied.
- 5% Custom Duty is levied on cotton cloth under heading 52.08, 52.09 and 52.12, being imported from India.
- 1% Custom Duty is levied on Cellular Mobile set under heading 85.17.

Customs Service Fee

Custom service fee is payable on import/export of goods as follows:

- Imports - Rs.100 per *Pragyapan Patra*
- Exports - Rs 500 per *Pragyapan Patra*

Rebate on Import Duty

- Rebate on Import duty is given in following cases:
 - 25% rebate on Custom Duty on plastic granules under heading 39.00 is allowed.
 - 25% rebate on filler master batch under heading 39.20 is allowed.
 - 25% rebate on Custom Duty in Palm Oil used in Noodles industry, on recommendation of Department of Industry is allowed.

Export Duty

- **The Export Duty on Synthetic Yarn, Plastic goods, G. I. Pipes, Rice Bran, Molasses Corrugated Sheets has been waived.**
- The rate of some of the major items like processed oil, vegetable ghee, plastic products and steel pipes are as follows:

Products	Rate
Texturised Yarn	0.5%
Acrylic Weaving Yarn	0.5%
Steel Pipes	0.5%
Kattha (Khayar) (3203.00.10)	Rs.2 / Kg
Woods (4401.00)	200%
Soya bean Oil	4%
Vegetable Ghee	4%
Coconut Oil	4%
Aggregates	Rs. 80 / m ³
Stone Boulder	Rs. 300 / m ³
Magnasite	Rs. 300 / m ³

- Export of Soft wares through internet shall be treated as Export sale only after certification from Nepal Rastra Bank on the basis of Invoice, Agreement and Payment Certificate has been continued.

Special Duty

- Special Duty at Customs Point @ 5% on the value of vehicles on which more than 25% customs duty is applicable, has been withdrawn.
- Special Duty of 50 Paisa on every liter of Petrol, Kerosene and Diesel has also been withdrawn.

Tele-communication Service Fee

Tele-communication Service Fee remains unchanged. i.e. Telecom Companies needs to collect service fee @ **10%** from its customers and have to deposit the same along with Value Added Tax. But no such fee shall be applicable to Pager and Internet Service Providers (ISP) & on **inter-connection charges** paid by one Telecom Company to other telecom company using their network.

Service Tax/Fee

- A sum equal to 2% of expenses for foreign employment on every person going abroad for employment has been withdrawn.
- 5 % Service Tax shall be levied on invoice value for Health Services provided by entities other than Government and Community Hospital.
- 5 % Service Tax shall be levied on Monthly Tuition Fees collected by schools operated by Private Sector. (The effective date for the same shall be published in the Nepal Gazette by the Nepal Government).
- Invoice for above needs to be issued by the person providing such services.
- Service Tax amount and Statement for such Service Tax collected by concerned person shall be deposited/submitted to Inland Revenue Office on Four-Monthly basis within 25 days of the end of respective four months.
- Interest @ 10% p.a. shall be charged in case of non-deposit of Service Tax on time. In case of Non-deposit of due Service Tax for a period of 3 months, the Tax Officer may order the closure of such service.
- Fine Rs. 1000 per Statement shall be levied upon Non submission of Return.

Telephone Ownership Fee

A sum of **Rs. 1000/- (Earlier Rs.1500)** shall be collected as Telephone Ownership Fee for Fixed land line and post paid mobile. In case of Prepaid mobile a sum equivalent to 2% of the value of Sim Card and Recharge Card shall be collected as Telephone Ownership Fee.

Road Construction and Improvement Fee

At the time of registration of vehicle:

- Car, Jeep, Van & Microbus **2%**
- Motorbike **Rs.4000/-**

At the time of Import:

- Petrol **Re 2/-** per litre
- Diesel **Re 1/-** per litre

Casino Royalty:

- Annual Royalty @ Rs. 1.70 Crores shall be paid by each casino.
- Monthly Royalty has to be deposited on pro-rata basis within 15 days from month-end.
- Fine @ 15% p.a. shall be charged in case of non-deposit of Royalty on time. In case of Non-deposit of due Royalty for a period of 3 months, the Tax Officer may order the closure of such casino.

Waiver of Interest, Fee and Penalty:

Income Tax, VAT, Excise Duty, Entertainment Tax, Contract Tax, Sales Tax, Air Tax, Hotel Tax, Land Building Tax due and payable up to F/Y 2059/60, if paid by Poush end, 2064 shall be waived off from Interest, Fee and Penalty.

Notes