

Income Tax Act, 2058 (2002)

[Amended by Financial Act, 2068 (2011)]

Date of Authentication and the Publication

2068.7.03(27 Oct.2011)

An Act Made to Implement Proposals Relating to Finance of the Government of Nepal

Preamble: Whereas, it is expedient to levy some charges, taxes, duties, cesses and fees, continue or alter the existing ones and also to amend the laws in force relating to revenue administration in order to implement the proposals relating to finance of financial year 2068/69 of the Government of Nepal;

Now, therefore, be it enacted by the Constitution Assembly pursuant to Sub-articles (1) of Article 83 of Interim Constitution of Nepal, 2063 (2006).

1. Short title and commencement: (1) This Act may be called the "Financial Act, 2068 (2011)."

(2) This Act shall come into force immediately.

26. Amendment to the Income Tax Act, 2058 (2002): Of the Income Tax Act, 2058(2002):-

(1) Of Section 2:

(a) The following Clause (h) shall be substituted for Clause (h):

"(h) "Income" means the income earned by any person from employment, profession, investment or

windfall gain and the total amount of that income calculated under this Act.”

- (b) The following Clause (h1) shall be inserted after Clause (h):

“(h1) "Windfall gain" means lottery, gift, prize, *baksis*, award for wining (*jिताुरी*) and any other types windfall gains.”

- (c) The following Sub-clause (2) shall be substituted for Sub-clause (2) of Clause (n) :

(2) The amount payable by the person withholding advance tax or the person subject to tax withholding under Section 90 or the amount payable by the person making payment in installment under section 94 or the amount of advance tax payable by the person making payment under section 95A or the amount payable after the assessment of tax under Sections 99, 100 and 101,

- (d) The following Clause (p1) shall be inserted after Clause (p):

“(p1) “turn-over” means a turn-over equivalent to the total amount to be included under Section 7, 8 or 9 for purposes of computing the income of a business or investment in any income year”.

- (e) Of Clause (r):

(1) The following Sub-clause (r) shall be substituted for Sub-clause (r) :

(r) "Non-occupational taxable assets" means any land, building and interest or security in any entity except the following properties:

- (1) Occupational assets, depreciable assets or stocks-in-trade,
- (2) A private building owned by a natural person in the following situation,-
 - (a) Being under ownership for a continuous period of Ten years or more, and
 - (b) Where that person has resided for a total period of Ten years or more continuously or at several times.

Explanation: for the propose of this Sub-clause "private building" means building and area of land covered equal to the building or one *ropany* land , among them which is less.

- (3) A benefit of any beneficiary held in the retirement fund”,
- (4) A private building belonging to and disposed of by any natural person for a value less than Tree million Rupees, or
- (5) An asset disposed of by way of transfer in any manner other than the purchase and sale within three generations.

(f) The following Clause (s) shall be substituted for Clause (s):

“(s) "Organization entitled to enjoy exemption" means the following entity:

- (1) Any of the following entities registered in the Department as an entity enjoying tax exemption:
 - (a) A social, religious, educational or benevolent organization of public nature established with non-profit motive,
 - (b) An amateur sports organization so formed with a view to promoting social or sports related facilities that the organization or its member does not derive profits,
- (2) A political party registered in the Election Commission,
- (3) Village Development Committee, Municipality or District Development Committee,

Provided that, in cases where any person has derived any benefit from the property of that organization and the monies obtained from that organization except in making payment for the property or the service rendered by any person to that organization or in discharging functions in consonance with the objective of the organization entitled

to exemption, tax exemption shall not be granted to such organization."

(g) The figures and letters "Sub-`clause (1), (2), (3) and (4)" shall be substituted for the figures and letters "Sub-`clause (1), (2) and (3)" contained in Sub-clause (5) of Clause (x).

(h) The following Sub-clauses (1) and (2) shall be Substituted for Sub-clauses (1) and (2) of Clause (ad):

“(1) Payment for having acquired the right to extract water, minerals or other living and non-living resources from the earth, or

(2) Amounts calculated based on the quantity or value of living or non-living resources of the natural resources and minerals extracted fully or partly from the earth”.

(i) The following Clause (af) shall be Substituted for Clause (af):

“(af) "Rent" means all payments including a premium received for the house rent as well as for the lease of a tangible property.

Provided that, this term does not include any payment made for natural resources".

(j) The words "to use or provide scientific experience" shall be Substituted for words "to provide scientific experience" contained in that Sub-Clause (3) of Clause (ak).

(3) To provide the right to use any motion picture film, video tape, sound recording or similar other means and to render industrial, occupational or scientific experience,

- (k) The following Clause (ab) shall be substituted for Clause (ab):

“(ab) "Investment" means the act of holding one or more properties or investing such properties, except with the followings:

- (1) Holding any property used by the owner thereof in personal use, or
- (2) Employment or occupation.

Provided that, holding non-business taxable property shall be deemed as investment.”

- (l) Of Clause (ae):

- (1) The words "in respect of any income year" contained in the first sentence of paragraph (b) of Sub-clause (1) shall be deleted.
- (2) The word "or" shall be inserted at the end of paragraph (b) of Sub-clause (3).
- (3) The word "or" shall be inserted at the end of *para* (a) of Sub-clause (4).
- (4) The following Sub-clause (4a) shall be inserted after Sub-clause (4):
“(4a) Government of Nepal,”
- (5) The word "or" shall be substituted for the word "and" contained in the second sentence of Sub-clause (6).

- (m) The words "exemption, premium under loan liability" shall be substituted for the word "premium" contained in the first sentence of paragraph (2) of Sub-clause (ai).
- (n) The words "sold or" contained in Clause (aj) shall be deleted.
- (o) The following Clause (an1) shall be inserted after Clause (an):

“(an1) "Electronic medium" means the computer, fax, e-mail, internet, electronic cash machine, fiscal printer and other approved medium as specified the Department”.
- (p) The figure and letters "Sub-clause (5)" shall be Substituted for the figure and letters "Sub-clause (4)" contained in the second sentence of Clause (ao).
- (q) The following Clause (at1) shall be inserted after Clause (at):

“(at1) "adjusted taxable income" means taxable income calculated without deducting any amounts as referred to in Section 12 and without deducting any amount under Sub-section (2) of Section 14, Section 17 or 18, while calculating the taxable income of any person in any income year.”
- (r) The words "Ten percent" shall be substituted for the words "Fifteen percent" contained in Clause (aw) of Section 2.

- (s) The words "related with the work" contained in Clause (aab) shall be deleted, and the words "as referred to in Clause (y)" shall be inserted the words "any entity" contained in that Clause.

(2) Of section 4:

- (a) The following Sub-section (1) shall be substituted for Sub-section (1):

“(1) The amount of tax required to be paid by any person referred to in Section 3 for any income year shall be equal to the total amount of tax required to be paid by such person in capacity of anyone or more than one person mentioned in Clauses (a), (b) and (c) of the Section.”

- (b) The words "or both Sections" shall be inserted after the figure "Section 51 or 71" as contained in Sub-section (2).

- (c) The following Clause (c) shall be Substituted for Clause (c) of Sub-section (3):

“(c) The employer has made a claim only for the adjustment of tax on medical expenses paid by him/her and for Subtraction of retirement contribution paid by the employer him/herself and not claimed for Subtraction of expenses for donation as referred to in Section 12.”

- (d) Of Sub-section (4):

- (1) The following Clause (a1) shall be inserted after Clause (a):

“(a1) Having not claimed for adjustment of tax for medical expenses under Section 51 and for advance tax deduction under Section 93.”

(2) The following Clause (b) shall be substituted for Clause (b):

"(b) The income earned from the business and the turnover of the business do not exceed One Hundred Fifty Thousand Rupees and One Million Five Hundred Thousand Rupees, respectively."

(e) The figures and letters "Section 87, 88 and 89" shall be substituted for the figure and letters "Section 88" contained in the fourth line of Sub-section (6).

(3) Of Section (5):

(a) The words "or both Sections" shall be inserted after the words contained in the third line of paragraph "Section 12 or 63" contained in Section 5.

(b) The words "and" shall be deleted contained in end of Sub-clause (b) of section (5).

(c) The following Clause (d) shall be inserted after Clause (c):

"(d) Windfall gain"

(4) The following Section 6 shall be Substituted for Section 6.

6. Assessable income: Subject to this Act, the following incomes earned by any person for any business, employment, investment or windfall gain" in any income year shall be considered assessable income:

- (a) Income earned by any resident person from his/her employment, business, investment or windfall gain in that income year irrespective of the place of his/her source of income, and
- (b) Income earned in that income year by any non-resident person from employment, business, investment or windfall gain having income source in Nepal.

Provided that, the assessable income shall not include any income exempted from tax pursuant to section 11 or 64 or both Sections.

- (5) The words "shall be income" shall be Substituted for the words "shall be computed in the income" contained in Sub-section (1) of Section 7.
- (6) The words "shall be" shall be substituted for the words "computed as the income" contained in Sub-section (1) of Section 9.
- (7) The following Sub-Clause (4) shall be inserted after Sub-Clause (3) of Clause (3) in Section 10:
 - (4) Any kind of income earned by Security Board of Nepal in consonance with its purpose.
- (8) The following Clause (i) shall be inserted after Clause (h) in Section 10:
 - (i) Any kind of income of Government of Nepal.
- (9) Of Section 11:
 - (a) The following Sub-section (2) shall be Substituted Sub-section (2):

“(2) No tax shall be levied on the income of a cooperative organization and saving and credit cooperative organization or institution based in rural communities, which

has been registered and operated under the Cooperatives Act, 2048 (1991) and which carries on agricultural and forest based industries such as professional forest related enterprises inclusive of sericulture and silk production, horticulture and fruits processing, animal husbandry, dairy industry, poultry farming, fishery, tea gardening and processing, coffee farming and processing, herbiculture and herb processing, vegetable seeds farming, bee keeping, honey production, rubber farming, leasehold forestry, agro-forestry etc., cold storage established for the storage of vegetables, agro-seeds, animal feed, pesticides, fertilizers and agricultural inputs (except those operated with mechanical power). No tax shall also be levied on the dividends distributed by such organization or institution.”

Explanation: The term “provision for this section rural community” means any area, other the municipal area and the VDC adjoining such area.

- (b) The words "from a special industry and information technology industries" shall be Substituted for the words "from a special industry" contained in Sub-section (3) of Section 11 and The following Clause (a) and (b) shall be substituted for Clause (a) and (b) of same Sub-section:

- (a) If the special industry and information technology industries give direct employment to Three Hundred or more Nepalese citizens throughout the year, Ninety percent, If the special industry gives direct employment to One Thousand and Two hundred or more Nepalese citizens throughout the year, Eighty percent of the rate of tax on the income of that year and; if the special industry

give direct employment to at least Thirty Three percent for women, *dalit* or disable persons including One Hundred or more Nepalese citizens throughout the year, Eighty percent,

- (b) If a special industry has been operated in remote, undeveloped and underdeveloped areas, respectively Fifty, Seventy and Seventy-Five percent of the tax leviable on income of the years for Ten income years including the income year in which such an industry started operating.
- (c) The following Sub-sections (3a), (3b), (3c), (3d), (3e), (3f), (3g), (3h), (3i), and (3j) shall be inserted after Sub-section (3):

“(3a) Exemption or concessions regarding income tax to industries established at specified economic zone and tax on dividend distributed by them shall be follows:-

- (a) In case the industry is established at special economic zone situated at *Himali* districts or at any hilly districts notified by Government of Nepal, the industry shall avail an income tax exemption for Ten years from the commencement of the business of the industry and Fifty percent of income tax in the upcoming income year.

- (b) Except the zone contained in clause (a), Any industry established at any other special economic zone shall avail tax exemption for Five years from the commencement of the business of the

industry and half of the income tax to be levied on it for the income years thereafter.

- (c) The above industries established at any special economic zone shall avail tax exemption on dividend distributed for Five years from the commencement of the business. After expiry of the Five years, for a maximum period of Three years a tax concession of Fifty percent of the tax rate applicable shall be available.

- (d) Tax concessions at Fifty percent is provided on income generated as service charge or royalty for technology transfer or management services provided by a foreign investor for the industries established at any special economic zone.

(3b) Hundred percent of the income tax chargeable on the income of an industry established in remote areas shall be exempted upto Ten years from the date of operation of the industry.

(3c) Twenty-Five percent of the income tax chargeable on the income of an information technology industry established in the information technology park as specified by the Government of Nepal by a notification in the Nepal Gazette.”

(3d) In a case, the agency (body corporate) receiving license for the production, transmission and distribution of

the electricity begins with commercial production of hydro-power, production and transmission, production and distribution or production, transmission or distribution, upto *Chaitra 2075 B.S.*, such as an agency (body corporate), shall receive full income tax remission upto for first Seven years; and Fifty percent income tax remission for upto Three years thereafter. Such a facility shall also be provided to the solar power, wind power and bio-power production.

Provided that,-

(a) In the case, the hydroelectricity project who started construction work within *Bhadra 7, 2071 B.S. (23 August 2014 A.D.)* and commences its commercial production within *Chaitra 2075 B.S (2019 A.D.)*, the income tax shall be exempted fully for Ten years and after that Fifty percent income tax shall be exempted upto next Five years.

(b) In the case of a license who has already started commercial production at the time of commencement of this Sub-section the provision prevailing at the time of receiving of the license shall be applicable.

(3e) If a manufacturing industry exports goods that it has manufactured, tax rebate shall be granted by Twenty Five percent on the rate of tax leviable on income earned therefrom.

(3f) If roads, bridges, airports, tunnel roads are built and operated or if investment is made on tram, trolley buses, tax rebate shall be granted by Twenty Five percent on the rate of tax leviable on income earned therefrom.

(3g) Tax rebate shall be granted by Ten percent on the tax leviable on the manufacturing, tourism service, hydropower generation, distribution and distribution industries enlisted in the stock exchange and the entities set forth in Sub-section (3c) of Section 11.

(3h) Tax rebate by Forty percent shall be granted for up to Ten years after the date of commencement of transaction to the industries that are established in the least developed areas and produce fruit based brandy, cider as well as wine.

(3i) A person shall be entitled to tax rebate by Twenty Five percent of the rate of income tax leviable on the royalty income earned from the export of intellectual property right.

(3j) A person shall be entitled to tax rebate by Fifty percent of the rate of income tax leviable on the royalty income earned from the transfer of intellectual property right.

(d) The following Sub-section (4) shall be Substituted for Sub-section (4):

“(4) In computing the income of a persons as referred to in Clauses (a) and (b) of Sub-sections (1), (2), and (3), Clause (b) of Sub-section (3), Sub-sections (3a), (3b) and (3c), Sub-section (12) of Section 1 of Schedule 1 and Sub-sections (3) of Section 2 of Schedule 1, shall compute the income as if that only income were derived by other separate person.”

(e) The following Sub-section (5) shall be Substituted for Sub-section (5):

“(5) A person, who is in a position to have more than one exemption in respect of the same income pursuant

to the above mentioned Sub-sections, shall enjoy only one exemption chosen by him/her."

- (f) The following Sub-section (7) shall be inserted after Sub-section (6):

"(7) Notwithstanding anything contained in Sub-sections (3a) and (3b), those industries availing tax exemption or tax concession under the same Sub-sections (3a) and (3b) shall not avail the facility in case the assets it has acquired for the industry were already used by another person for such industry or for any other business."

- (10) The following Section 11A. and 11b shall be inserted after Section 11:

"11A. Tax chargeable on the build and operate of infrastructures: If any agreement is concluded between the Government of Nepal and any person for building and operating infrastructures, the person building and operating such infrastructures shall be entitled to enjoy tax facilities provided by this Act pertaining to tax prevailing at the time of conclusion of that agreement during the period of such agreement.

11B. Relaxation to the infrastructure development projects of national importance: In the case of hydro-power, international airport, underground ways, roadways, railways and similar infrastructure development projects of national importance and the production industry employing more than Three Hundred workers and using more than Fifty percent domestic raw material (other than cigarette, alcoholic beverage and beers), no source of income shall be sought on

the investment if it is made upto last day of *Chaitra* 2075 B.S."

- (11) The following Sub-section (2) shall be Substituted for Sub-section (2) of Section 12:

"(2) Notwithstanding anything contained in Sub-section (1), the expenditure deductible in any income year under that Sub-section shall not exceed One Hundred Thousand Rupees or Five percent of the adjusted taxable income that person in that year, whichever is lesser."

- (12) The following Section 12A. shall be inserted after Section 12:

"12A. Expenses on heritage preservation and expenses for development of sports: In case, any company incurs expenses on preservation and development of ancient, religious or cultural heritage located in Nepal; incurs expenses on construction of public infrastructure required for the development of sports, upon taking prior approval of the Department, for incurring the expenses of any income year, such a company claim for the deduction of One Million Rupees or Ten percent of the assessable income, whichever is lower."

- (13) of Section 14:

- (a) The words "created for an act to generate income from the occupation or investment" shall be inserted after the words "of such person" in Sub-section (1) and the provision in the Clause (b) shall be deleted.
- (b) Of Sub-section (2),-
 - (a) The phrase "the total interest amount which a resident entity controlled by an organization entitled to tax

exemption can deduct under Sub-section (1) in any income year shall not exceed the total of the following amounts if the interest is paid to the controlling person or associated person" shall be Substituted for the phrase "the total interest amount which a resident entity controlled by an organization entitled to tax exemption can deduct under that Sub-section in any income year shall not exceed the total of the following amounts" contained at the end and The words "income of adjusted taxable income" shall be substituted for the words "of taxable income" contained in Clause (b)".

- (14) The following Sub-section (6) shall be substituted for Sub-section (6) of Section 15:

“(6) If the stock-in-trade of business of any person cannot be determined, that person may choose to the first in first out method or average cost method to compute the cost of stock-in-trade.”

- (15) The following Clause (a) shall be substituted for Sub-section (8) of Section 15:

“(a) In computing as per the average cost method, to compute on the basis of all weightage average costs of all the stock-in-trade of the same type in the business under the widely recognized accounting principle”.

- (16) Of Section 15,-

Of explanation:

"(a) The following proviso shall be inserted in explanation (c):

"Provided that, no amount in respect of repair and maintenance and depreciation shall be included in the overhead costs of a factory."

- (b) The following proviso shall be inserted in explanation (d):

"Provided that, no amount in respect of repair and maintenance and depreciation shall be included in the variable overhead costs of a factory."

(17) Of Section 16:

- (a) The following Sub-section (2) shall be substituted for Sub-section (2):

"(2) Notwithstanding anything contained in Sub-section (1), in deducting the expenses allowable under that Sub-section, it shall not exceed Seven percent of the depreciation base amount of the group of property remaining at the end of that income year.

Provided that, this limitation shall not apply to the repair and maintenance costs incurred by a person providing air transport service in overhauling an aircraft in accordance with the standards fixed by the Civil Aviation Authority of Nepal."

- (b) The following Sub-section (3) shall be substituted for Sub-section (3):

"(3) Any excess expense or part thereof which is not deductible by virtue of the limit referred to in Sub-section (2) may be added to the depreciation base amount of the group of the concerned property at the beginning of the forthcoming income year".

(18) Of Section 17:

- (a) The following Sub-section (2) shall be Substituted for Sub-section (2):

"(2) Notwithstanding anything contained in Sub-section (1), in computing the limit of expenses deductible under that Sub-section in any income year, it shall not exceed Fifty percent of the adjusted taxable income earned from all businesses operated by that person".

- (b) The words "at the beginning of the coming income year" shall be inserted after the word "capitalization" contained in the second line of Sub-section (3).

(19) Of Section 18:

- (a) The following Sub-section (2) shall be Substituted for Sub-section (2):

"(2) Notwithstanding anything contained in Sub-section (1), in computing the limit of expenses deductible under that Sub-section in any income year, it shall not exceed Fifty percent of the adjusted taxable income earned from all businesses operated by that person".

- (b) The words "at the beginning of the coming income year" shall be inserted after the word "any part" contained in the second line of Sub-section (3).

(20) The words "shall" shall be Substituted for the word "may" contained in Sub-section (1) of Section 19.

(21) Of Section 20:

- (a) The following Clause (b) shall be Substituted for the Clause (b) contained in Sub-section (1):

"(b) Loss suffered by that person from any business which was not deducted in the last Seven income years.

Provided that, in the case of the projects which involve building and operation of public infrastructures to be transferred to the Government of Nepal, powerhouses construction, generation and transmission of electricity and petroleum works pursuant to the Nepal Petroleum Act, 2040 any loss not deducted in the last Twelve income years."

(b) The following Sub-section (2) shall be substituted for Sub-section (2):

(2) For purposes of computing the income earned by any person from any investment in any income year, such person may deduct the loss suffered by that person from any other investment and not deducted in that year and such person may deduct the loss suffered by that person from such investment or other investment in last Seven years.

(c) The following Sub-section (8) shall be substituted after Sub-section (7):

"(8) Where any person has enjoyed a full or partial tax exemption in relation to the income derived from a business or investment in any income year, such person shall not be entitled to carry forward the loss made in such income year to the Subsequent income years."

(22) Explanation of Section 21.

(a) The word "private expenses of the natural person" shall be substituted for the words "expenses made for natural person" contained in Sub-clause (1) of Clause (a).

- (b) The following Clause (c) shall be substituted for Clause (c):

(c) "Cash payment" means a payment to deposit in bank account, by a letter of credit, cheque, draft, money order, telegraphic transfer, money transfer (*hundi*) through a bank or financial institution and payment except a transfer made by any other means between banks or financial institutions.

- (23) Of Section 24

- (a) The words "in calculating the income earned by a person" shall be substituted for the words "in the calculation of the income earned by the person" contained in Sub-section (2); and the following Sub-clause (2) shall be substituted for Sub-clause (2):

"(2) The value of such liability can be ascertained actually, and"

- (b) The following Sub-section (3) shall be substituted for Sub-section (3):

"(3) Notwithstanding anything contained in Sub-section (1), the Department may recognize the accounting specified by the Nepal *Rastra* Bank, Subject to the Nepal *Rastra* Bank Act, 2058(2002) and the banking laws in force, in respect of banking business."

- (c) The following Sub-section (4) shall be substituted for Sub-section (4):

"(4) In calculating a person's income earned from a business or investment on the accrual basis, where the person includes any payment to which the person is entitled or deducts any payment that the person is obliged to make

and a difference in the payment received or made by the person occurs as a result, *inter alia*, of a change in exchange rate, the amount of difference shall be adjusted at the time when payment is received or made."

- (24) The words "refund of amount" shall be substituted for the words "reimbursement of amount" contained in the second line of Clause (a) of Sub-section (1) of Section 25.
- (25) The words "money or" contained in the second line of Clause (a) of Sub-section (1) of Section 27 and the words "money and" contained in the same Clause shall be deleted.
- (26) The following Section 29 shall be substituted for Section 29:

"29. Indirect payments: In cases where any person derives benefits indirectly from payments made by the payer or a person associated with him or specifies another person to receive payment, the Department may, by issuing a notice in writing, treat the person himself deriving such benefit or specifying such other person as the recipient of payment."
- (27) The following explanation shall be inserted for Section 31:

"Provided that, the payment amount received as a compensation for the physical damage happened in personal accident of a resident natural person shall not need to be included in the income and the treatment cost incurred in the damage from such an accident shall not be claimed for adjustment into the tax as referred to in Section 51."
- (28) The word "seller" contained in Sub-section (3) of Section 32 shall be deleted.
- (29) The following Sub-clause (2) shall be substituted for Sub-clause (2) of Clause (a) of Sub-section (1) of Section 38:

- "(2) Any amount required to be included in the assessment of the income of that person as a result of acquisition of that property."
- (30) The word "payment" shall be substituted for the words "amount Subject to tax" contained in the proviso to Clause (c) of Sub-section (1) of Section 39.
- (31) Of Section 41:
- (a) The following Sub-clause (2) shall be substituted for Sub-clause (2) of Clause (a):
- "(2) In re-disposing that property, the net outgoings made for that property until the disposal pursuant to this Section shall be deemed to be equal to the amount receivable."
- (b) The following Sub-clause (2) shall be substituted for Sub-clause (2) of Clause (b):
- "(2) In re-disposing that liability, the net incomings made for that liability pursuant to Sub-clause (1) until the disposal under this Section shall be deemed to be equal to the outgoings."
- (32) The word "taxable" shall be substituted for the words "Subject to tax" contained in Sub-section (2) of Section 45.
- (33) The word "not to give" shall be substituted for the words "not to take" contained in Sub-section (4) of Section 45.
- (34) The following Section 47A. shall be inserted after Section 47:

“47A. Special provision relating to disposal owing to merger or acquisition of business: (1) If entities of similar nature carrying on banking and financial business or insurance business are merged to each other, provisions of Clauses (a), (b), (d), (e), (f)

and (g) of Sub-section (2) of Section 57 and Sub-section (3) thereof shall not apply.

Provided that, if there is any loss that could not be deducted of any entity that ceased to exist upon merger, such loss has to be deducted in the coming Seven years on pro rata basis. If the entity that so deducts loss by equal installments is again divided prior to the deduction of loss wholly, tax on the amount deducted for the deducted loss has to be paid at the rate of tax prevailing in the financial year of merger or acquisition.

(2) If the disposal of assets and liability is made upon the merger of entities pursuant to Sub-section (1), the following shall apply:

(a) In the case of disposal of trade-in-stock and business property:

- (1) The amount equal to the net expenses incurred in that property immediately before the disposal shall be deemed to have been acquired by that person in consideration for that disposal, and
- (2) The amount equal to that set forth in Clause (1) shall be deemed to be cost incurred by the person acquiring the property.

(b) In the case of disposal of depreciable property:

- (1) The amount equal to the remaining value of the diminishing system of the group pursuant to Section 4 of Schedule-2 at the time of disposal shall be deemed to have been

acquired in consideration for that disposal,
and

- (2) The amount equal to that set forth in Clause (1) shall be deemed to be the cost incurred by the person acquiring the property.

(c) In the case of disposal of liability:

- (1) The amount equal to that amount whichever is lesser out of the market value of the liability and the net income immediately before the disposal shall be deemed to be the cost incurred by that person in consideration for disposal.
- (2) The amount equal to that set forth in Clause (1) shall be deemed to be the cost incurred by the person bearing liability in consideration having borne that liability.

(d) In calculating the cost of merged assets and liability, the entity merging business or the entity merged shall calculate only the cost in consideration for assets and liability existed at the time of operation of the merged business by the merged entity (prior to merger or acquisition), pursuant to Clauses (a), (b) and (c).

(3) Tax deduction shall be made on the payment by giving Fifty percent rebate on the rate of tax deduction to be applied on the retirement pension on the additional lump sum payment (except the payment made through the retirement fund or the payment to be made as mentioned in the terms and conditions of employees⁰ for the purposes of awarding group

retirement to the employees serving in the entity disposed upon merger or the entity following merger pursuant to Sub-section (1).

(4) The shareholders existing in the entity disposed upon merger pursuant to Sub-section (1) dispose their shares by sale within Two years after the merger, no capital gain tax shall be charged on the profits made on the shares so disposed.

(5) Tax shall not be levied on the dividends distributed by the entity that has been disposed upon being merged pursuant to Sub-section (1) to the shareholders existing at the time of merger within Two years after the date of merger.

(6) An entity that intends to be disposed upon being merger pursuant to Sub-section (1) shall have to give a letter of intent to be merged to the Inland Revenue Department no later than the last month of *Kartik* of the year 2068.

(7) An entity that intends to be disposed upon being merger pursuant to Sub-section (1) shall have to fulfill no later than the last month of *Kartik* of the year 2070.

(8) The provisions of this Section shall not be deemed to be applicable to an entity that does not give a letter of intent within the period specified in Sub-section (6) and an entity that has not completed the process of merger by the date set forth in Sub-section (7).

(35) The following Sub-section (3) shall be inserted after Sub-section (2) of Section 50:

(3) Notwithstanding anything contained in Sub-section (1) and (2) the resident widow and widower who has to take care of a dependent shall be consider as spouse.

(36) Of Section 54:

(a) The following clause (a) and (b) shall be substituted for Sub-clause (a) and (b) of Sub-clause (1):

(a) Tax shall be imposed on a shareholder of any company or a partner of partnership firm as per the mode of final tax deduction if dividend is distributed to them, and

(b) No tax shall be imposed if other entities make distribution."

(b) The following Sub-section (3) shall be substituted for Sub-section (3):

"(3) notwithstanding anything contained in Sub-section (1), no tax shall be charged if dividend received upon deduction of tax under that Sub-section is distributed".

(c) Sub-section (4) shall be deleted.

(37) Of Section 57,-

(a) The following Sub-section (1a) shall be inserted after Sub-section (1) of Section 57:

"(1a) For the purposes of computing the change of Fifty percent or more than Fifty percent ownership of any entity as referred to in Sub-section (1), only the following ownership of that entity shall be included:

(a) The ownership held by a shareholder holding One percent or more of the total ownership of that entity, and

(b) The ownership held by an associated person of the shareholder who holds more than one

percent of the total ownership of that entity, out of the shareholders who hold less than one percent of the total ownership of that entity."

- (b) The word and figure and letters "Section 59 or 60" shall be deleted contained in the Clause (c) of Sub-section (2).
- (c) The words "pursuant to Sub-section (4) of Section 24" shall be substituted for "pursuant to clause (b) of Sub-section (4) of Section 24" contained in the Clause (d) of Sub-section (2).
- (38) The following Sub-section (1) shall be substituted for Sub-section (1) of Section 58:

"(1) An arrangement made by any entity by maintaining all of the following conditions shall be treated as an arrangement made for reducing dividend tax:

- (a) Where that entity has reserved, current or expected profits,
- (b) Where any person who acquires an interest of the entity and the recipient of the interest or his associated person makes any payment to the present or previous beneficiary of the entity or his associated person irrespective of whether or not it is related to the acquisition of interest and whether or not payment is made at the time of acquisition of interest,
- (c) Where the payment is fully or partly reflected in the profits of that entity,
- (d) Where that entity distributes dividends to the recipient of interest and the dividends fully or partly cover the profits."

- (39) Of section 59:

- (a) The following Sub-section (1a) shall be inserted after Sub-section (1):

"(1a) An amount that is up to five percent of a due and recoverable loan held in the risk bearing fund by a person carrying on banking business Subject to the standards prescribed by the Nepal *Rstara* Bank shall be deducted as an expense. Where the risk bearing fund is so maintained, and the expenses debited to the profits as a bad debt, the same shall not be written off; and where the amount in that fund is capitalized or profits or dividends are distributed, the same shall be included in the income of the year in which such distribution is made."

- (b) Sub-section (2) and (3) shall be deleted

(40) Of Section 60:

- (a) The following Sub-clause (3) shall be inserted after Sub-clause (2) of Clause (b) of Sub-section (2):

"(3) Sum total of the following amounts provided for risk coverage fund:

- (a) Fifty percent of the net premium credited to the profit and loss statement during the year: and
- (b) One Hundred Fifteen percent of the pending unsettled pending claims outstanding at the end of the year.

Provided that, these amounts that are shown as expenses during the year as profit shall be included in the income of subsequent year.

- (b) Sub-section (3) and (4) shall be deleted.

(41) Of Section 61:

- (a) The following Sub-clause (2) shall be substituted for Sub-clause (2) of Clause (b) of Sub-section (2):

"(2) The premiums as referred to in Sub-clause (1) of Clause (a) returned to the insured".

- (b) The words "shall not be considered as expenses" shall be Substituted for the words "shall be included in the expenses" contained in Sub-section (3).

(42) Of Section 63:

- (a) The following proviso shall be inserted in Sub-section (1):

"Provided that, the Citizen Investment Fund established under the Citizen Investment Fund Act, if it intends to maintain a retirement fund, and the Employee Provident Fund established under the Employee Provident Fund Act, 2019 (-), if it operates a retirement fund, shall not be required to obtain permission for such fund."

- (b) The phrase "may make a claim for deduction in calculating his income" shall be Substituted for the phrase "may make a claim to deduct from the income" contained in Sub-section (2).

(43) The words "mentioned in Sub-section (1) of Section 2 of Schedule-1" shall be Substituted for the words "applicable to companies" contained in Sub-section (3) of Section 64.

(44) Of Section 65:

- (a) The words "or the retirement payments made by Government of Nepal" shall be inserted after the words "from the interest" contained in the second line of Sub-section (1) of Section 65.

- (b) The following proviso shall be inserted at the end of the explanation:

"Provided that, the payment made from the non-contributory fund of the beneficiary shall not be considered as benefit received as an interest from the unapproved retirement fund."

- (45) The word "employment" shall be Substituted for the words "such acts" contained in the first line of Sub-clause (2) of Clause (i) of Sub-section (6) of Section 67.

- (46) The following Clause (b) shall be Substituted for Clause (b) of the explanation contained in Section 71:

“(b) "Average rate of tax of Nepal" means the rate to be set by multiplying with One Hundred the amount to be set by dividing the amount of tax payable by a person as referred to in Clause (a) of Section 3 in any income year by the taxable income of that person in that year prior to the adjustment of any foreign tax in that year.”

- (47) The following Sub-section (2) shall be substituted for Sub-section 92) of Section 72:

“(2) The Government of Nepal may, by a notification in the Nepal Gazette, establish large taxpayer offices or Inland Revenue Offices or taxpayer service offices under the Department and prescribe their working areas, in order to render assistance to the Department in fulfilling its responsibilities mentioned in Sub-section (1). The offices of which working areas have been so specified shall be deemed as organs of the Department.”

- (48) The following Sub-section (1) shall be substituted for Sub-section (1) of Section 74:

"(1) The taxpayer shall perform the duties as mentioned in this Act."

- (49) The following Sub-section (3) shall be inserted after Sub-section (2) of Section 77:

"(3) The Department may prescribe to submit any information or particular or document to be submitted by a person to the Department through the electronic medium."

- (50) Of Section 78:

- (a) The following Sub-section (1) shall be Substituted for Sub-section (1):

(1) The Department shall issue an identity number called as permanent accounts number to any person for purposes of identifying that person, Subject to this Act.

Provided that, a body having obtained approval from the Department may give such permanent accounts number by fulfilling the procedures referred to in this Act. Taxpayer receiving permanent accounts number shall not do, in such manner, the transaction of export and import up to the period specified by the Department.

- (51) Of Section 78:

- (a) The following Sub-section (3) shall be substituted for Sub-section (3):

(3) Department may specify the circumstances where any person has to show or mention his/her permanent account number.

- (b) The following Sub-sections (4) and (5) shall be inserted after Sub-section (3):

“(4) Notwithstanding anything contained in Sub-section (1), any person specified pursuant to Sub-section (3) shall obtain the permanent accounts number prior to doing transactions.

(5) Notwithstanding anything contained in Sub-section (1), (2), (3) or 4, no one shall be released from the liability of tax by the reason that he has not obtained the permanent accounts number.”

(52) Of Section 81:

- (a) The words “at least” contained in Sub-section (2) of Section 81 shall be deleted.
- (b) The following Sub-section (4) shall be inserted after Sub-section (3):

"(4) The Department may provide approval to maintain documents through electronic medium which are to be maintained pursuant to Sub-section (1)."

(53) The words “The Department may prescribe to pay the tax, to be so paid, also through the electronic medium.” words shall be inserted after the word "to be so paid" of the Sub-section (1) Of Section 85:

(54) Of Section 88:

- “(a) The word "service charge, commission or sale bonus and" shall be Substituted for the words "in making payment service charge and if that person is an approved retirement fund, any" contained in Sub-section (1), and the following proviso shall be Substituted for the proviso to that Sub-section:

Provided that, tax shall be withheld at the following rate from the following payment:

- (1) In the case of the retirement payment made by the Government of Nepal or by the approved retirement fund, at the Rate of Five percent from the benefits calculated pursuant to Clause (b) of Sub-section (1) of Section 65,
- (2) In the case of the commission paid by a resident employer company to a non-resident person, at the rate of Five percent,
- (3) In the case of payment of amount for aircraft lease, at the rate of ten percent.
- (4) In case of service provider resident person who are registered in the Value Add Tax, on the payment of service charge, at the rate of One point Five (One and half) percent of the paid amount.”
- (5) In the case of the rent paid by a resident person having source in Nepal, at the rate of Ten percent,
- (6) In the case of a person receiving profit and benefit from the trade under commodity by future market, at the rate of Ten percent.

(b) Clause (g) of Sub-section (1) of Section 88 shall be deleted.

(c) The following Sub-section (2) shall be substituted for Sub-section (2):

"(2) A resident person shall, in making the following payments having source in Nepal, withhold tax at the following rate:

- (a) In making payment of dividends, Five percent of the payment amount,
- (b) In making payment of investment insurance benefits, Five percent of the payment amount,
- (c) In making payment of benefits from an unapproved retirement fund, Ten percent of the amount of benefits".

(d) The following Sub-section (3) shall be Substituted for Sub-section (3):

"(3) Notwithstanding anything contained in Sub-section (1), in making payment of interest or of an amount in the form of interest as follows by a resident bank, financial institution or any other entity issuing bonds or a company registered under the laws in force to any individual for deposits, bonds, debentures and governmental bonds, tax shall be withheld from the total amount of payment at the rate of Five percent:

- (a) Which has source in Nepal, and
- (b) Which is not related with the operation of business."

(e) Of Sub-section (4):

(1) The following Clause (a) shall be Substituted for Clause (a) :

- (a) Any other payment except a payment related to an operation of business by a natural person or a payment of

rent made for the renting of the building, land and materials or instrument fixed therewith.

- (2) The following Clauses (a1) shall be inserted after Clause (a) of Sub-section (4):

"(a1) Payment for an article published in a newspaper and for preparing question papers and examining answer books."

- (2) The following Clause (d), (e) and (f) shall be inserted after Clause (c) of Sub-section (4):

"(d) The interregional interchange fee paid to a bank issuing credit card."

(e) Any interest or fee paid by the Government of Nepal to a foreign government or a foreign organization pursuant to an agreement between Government of Nepal and foreign government or Government of Nepal and International Organization.

(f) Payment of interest, Ten Thousand Rupees by Small Finance Institution basis on rural community, Rural Development Bank, Postal Saving Bank and collected deposit income in finance pursuant to Sub-section (2) of Section 11 of this Act."

- (55) The following Section (88A) shall be inserted after Section (88):

"88A. Withholding tax in windfall income: In a payment of windfall income tax shall be levied at the rate of Twenty Five percent.

Provided that, Government of Nepal may provide exemption in the windfall income by publishing a Notification in the Nepal Gazette on the

national or international awards received for contributing in the sector of literature, art, culture, sports, journalism, science, technology and public administration.”

(56) of section 89.

- (a) The following Sub-section (1) shall be substituted for Sub-section (1):

“(1) In making payment of a sum exceeding Fifty Thousand Rupees for payment of contraction or contract to a resident person it shall be withhold tax at the rate of one and half percent of the total amount of payment.”

- (b) The following Clause (a), (b) and (c) shall be substituted for Clause (a), (b), (c) and (d) of Sub-section (3):

"(a) Aircraft maintenance and other contraction or contract- Five percent.

(b) In making payment of premium to non-resident insurance company- one and half percent.

(c) Except as mentioned herein above, where the Department has given a notice to resident person in writing, at the rate specified in that notice.”

- (c) The following Clause (a) shall be substituted for Clause (a) of Sub-section (4):

(a) Any other payment, except the rent for renting a land or building or fixtures therewith, source in Nepal which was made to any other natural person except who is operating business.

(d) The following Clause (b) shall be substituted for Clause (b) of Sub-section (4):

(b) Payments enjoying tax exemption or payments liable to tax withholding pursuant to Section 87 or 88.

(e) The following explanation shall be inserted in the Section 89:

"Explanation: For the purpose of this Section "contraction or contract" means a contract or agreement concluded to supply goods or labour or construction, fixation or establishment of tangible property or structure and any act prescribed by the Department as a contraction or contract as well as it shall included the payment made for a service rendered in case such service is being included by the contraction or contract in the course of construction or taxation or establishment."

(57) Of Section 90:

(a) The following Sub-section (1) shall be substituted for Sub-section (1):

"(1) Each person who is obliged to withhold tax has to Submit to the Department a statement in such mode and format as specified by the Department within Fifteen days after the expiration of each month."

(b) The phrase "in the following conditions, the person Subject to tax withholding" shall be Substituted for the phrase "In cases where the person withholding tax does not withhold or pay tax as follows, both the person Subject to tax withholding" contained in Sub-section (5).

- (c) The following Sub-section (8) shall be inserted after Section (7):

"(8) In case a person does file details or pays tax pursuant to Sub-section (1) or (2) or if the Department is convinced that there is a situation of Sub-section (5) in relation to a person, it may issue an order to submit the amount is not submitted or less amount submitted and interest as referred to in Section 119. Provided that, before issuing such an order, a Fifteen days written notice along with reasons thereof, shall be issued for defense enclosing the evidence and proofs."

- (58) Of Sub-section (1) of Section 92:

- (a) The following Clause (c) shall be substituted for Clause (c):

(c) Profit paid by a resident person for investment insurance,

- (b) The following Clause (e) shall be substituted for Clause (e):

"(e) Interest as follows paid by a bank, financial institution or any other entity issuing bonds or a company enlisted pursuant to the laws in force, as mentioned in Sub-section (3) of Section 88:

(1) Which has source in Nepal and which is not related with the operation of business and paid to an individual.

(2) Which is paid to an institution entitled to tax exemption pursuant to Clause (d) of Section 2."

- (c) The following Clauses (g) (h) and (i) shall be inserted after Clause (f):

"(g) Payment for meeting allowance and part-time teaching."

(h) Retirement payment made by the Government of Nepal or approved retirement fund or un-approved retirement fund including all types of retirement payments."

(i) Payment for windfall gain.

(59) The words "and advance tax" shall be inserted after the word "installment" contained in chapter title of Chapter 18.

(60) Of Section 94:

(a) The following Sub-section (1) shall be substituted for Sub-section (1):

"(1) A person who has or will have assessable income in any income year from any business or investment has to pay tax in Three installments as follows:

Date on which payment has to be made	Amount to be paid
By the end of <i>Poush</i> (mid January)	Amount of due and payable tax out of Forty percent of the estimated tax
By the end of <i>Chaitra</i> (mid April)	Amount of due and payable tax out of Seventy percent of the estimated tax
By the end of <i>Ashad</i> (mid July)	Amount of due and payable tax out of Hundred percent of the estimated tax

Explanation: For the purposes of this Sub-section,-

(a) "Estimated tax" means the estimated tax in installment computed by any person liable to pay tax in installment pursuant to Section 95 at the time when the installment tax is to be paid in any year.

(b) "Due and payable tax" means the amount that remains shortfall after Subtracting the following total sum from the amount to be set by the percentage prescribed for payment of estimated tax in installments under this Sub-section:

- (1) The amount of tax paid in that income year by a prior installment pursuant to this Section before the date on which the installment in question is to be paid,
- (2) The amount of tax deducted from the payments to be included in computing the income of any person in any income year pursuant to Chapter-17 before the date on which the installment in question is to be paid in that year,
- (3) In cases where the agent withholding tax or the person Subject to tax withholding pays to the Department the amount of tax deemed to be withheld from the payment referred to in Clause (2) pursuant to Sub-section (3) of Section 90 in that year before the date on which the installment is to be paid, such amount of tax, and
- (4) The amount of tax adjustment for medical treatment expenses which that person may claim pursuant to Section 51 in respect of the accepted medical treatment expenses incurred by that person before

the date on which the installment is to be paid."

- (b) The following words Sub-section (2) shall be Substituted for the Sub-section (2)."

(2) Notwithstanding anything contained in sub-section (1), in cases where the amount of installment to be paid pursuant to that sub-section is less than Five Thousand Rupees, amount of such installment need not to be paid.

- (61) Of Section 95:

- (a) The words "by the Department" shall be inserted after the words "may be prescribed" contained in Sub-section (1).
- (b) The words "or where it is so specified pursuant to Sub-section (6) that any person is not required to Submit an estimate to pay installment of tax" contained in Sub-section (7) shall be deleted.

- (62) The following Section 95A. shall be inserted after Section 95:

"95A. To collect advance tax: (1) An entity operating the commodity future market service shall collect advance tax in the sum to be set by Ten percent on the profits and income earned by a person trading under the commodity future market from that business.

(2) If any person other than a resident entity doing transaction of purchase and sale of securities upon being registered pursuant to the laws in force is benefitted from the disposal of interest in any resident entity, that person shall collect the advance tax as follows on such benefit to be calculated pursuant to Section 37:

- (a) In the case of benefit from the disposal of interest of an entity enlisted in the Nepal Securities Board, the entity performing the functions of the stock

exchange, Ten percent of amount of the benefit in the case of resident natural persons and Fifteen percent of the amount of benefit in the case of other persons.

- (b) In the case of benefit from the disposal of interest of an entity not enlisted in the Nepal Securities Board, the entity of which benefit has been disposed shall make deduction by Ten percent of the amount of benefit in the case of resident natural persons and Fifteen percent of the amount of benefit in the case of other persons.

(3) The Land Revenue Office shall collect the advance tax as follows on the capital gain made for the disposal of the land or personal building of any natural person:

- (a) At the rate of Five percent if the ownership of disposed non-business taxable property (land and building) is for Five years or more,
- (b) At the rate of Ten percent if the ownership of disposed non-business taxable property (land and building) is for less than Five years,

(4) Even though a person who is to collect advance tax pursuant to Sub-sections (1), (2) and (3) has not collected the advance tax, the tax shall be deemed to have been collected at the time when it has to be recovered.

(5) A person who is to collect advance tax has to furnish the returns with the Department in such manner and form as specified by the Department within Twenty Five days of the expiration of every month.

(6) The amount of the advance tax collected or the amount deemed to have been collected pursuant to Clause (a) of Sub-section (3) has to be furnished to the Department along with the returns as referred to in Sub-section (5) within the time limit as referred to in that Sub-section.

(7) The person who is to furnish the advance tax and the person who is to collect advance tax shall be jointly and severally responsible for payment of the advance tax in the following circumstance:

- (a) In the event of failure of the person who is to collect advance tax to collect the advance tax, and
- (b) In the event of failure of the person who is to collect advance tax fails to pay the amount deemed to have been collected pursuant to Sub-section (4) to the Department.

(8) A person who is to pay the advance tax pursuant to Sub-sections (7) has to pay the tax within Twenty Five days after the expiration of the time limit set forth in Sub-section (5).

(9) If a person who is to collect advance tax has paid to the advance tax not recovered to the Department pursuant to Sub-section (6), the person shall be entitled to recover the amount equal to the amount of tax so paid from the person who is to pay that tax.

(10) A person who is to pay the advance tax that has been paid pursuant to this Section shall be entitled to deduct the same from the annual tax liability to be paid."

(63) Of Sub-section (2) of Section 96:

- (a) Sub-clauses (4) and (5) of Clause (a) shall be deleted.
- (b) Sub-clause (1) of Clause (c) shall be deleted.

(64) Of Section 97:

- (a) The words "except where the Department issues a written order or issues order by publishing a public notice" shall be Substituted for the words "except where the Department issues a written order" contained at the beginning.
- (b) The word "or" contained at the end of Clause (b) shall be deleted.
- (c) The words "natural person or" shall be Substituted for the words "natural person" contained at the end of Clause (c).
- (d) The following Clause (d) shall be inserted after Clause (c):

"(d) If the motor vehicle owner making payment of tax pursuant to Sub-section (11) of Section 1 of Schedule-1 is an individual, such individual."

(65) The following Sub-section (2) shall be Substituted for Sub-section (2) of Section 100:

"(2) Notwithstanding anything contained in Sub-section (1), in the circumstances mentioned in Sub-section (5) of Section 96, the Department may, base on the amounts mentioned in Sub-clauses (1), (2), and (3) of Clause (a) of Sub-section (2) of Section 96, for any income year or any part of that year, assess the tax of that person in a justifiable manner."

- (66) The word "Fifteen" shall be Substituted for the word "Seven" contained in the fourth line of Sub-section (6) of Section 101.
- (67) The word "Department" shall be Substituted for the words "Tax Department" contained in Section 106.
- (68) The following Section 110A. shall be inserted after Section 110:

“110A. Realization of tax by installment: Where any person makes a written request for payment of his tax arrears by installment prior to institution of case pursuant to Section 111, the Tax Officer may give permission to pay the same by installment within a reasonable period of time as specified by the Tax Officer.”

(69) The following Sub-section (3) shall be substituted for Sub-section (3) of Section 113:

“(3) If any person makes an application to the Department, as prescribed, for the refund of the amount pursuant to Sub-section (1), such refund shall be made within Sixty days after the date on which such application is made.”

(70) of Sub-section (1) of Section 114.

(a) The following Clauses (a1) shall be inserted after Clause (a):

"(a1) The decision or order made pursuant to Sub-section (8) of Section 90.

(b) The words "assessment of expenses incurred in an auction sale as referred to in Sub-section (5) of Section 105" shall be inserted after the words "assessment of tax" contained in Clause (e) of Sub-section (1) of Section 114.

(71) of Section 115:

(a) The word “total amount in case of undisputed tax and One Third in case of disputed tax” shall be Substituted for the words “Fifty percent of tax to be paid” contained in Sub-section (6).

(b) The word "Sixty" shall be Substituted for the word "Ninety" contained in Sub-section (8).

(72) Of Section 117:

- (a) The following Sub-section (1) shall be Substituted for Sub-section (1):

"(1) If any person does not do the followings, such a person shall be imposed fees as follows:-

- (a) In case income details of any income year are not submitted pursuant to Sub-section (1) of Section 95, at the rate of Two Thousand Rupees for each detail.
- (b) If any person withholding tax does not submit the return referred to in Sub-section (5) of Section 95A, a fee in a sum to be set by one and a half percent per year of the amount of tax to be withheld for each month and portion of the month from the due date for submission of the return until the date on which such return is submitted shall be imposed on such a person.
- (c) In case income details of any income year are not submitted pursuant to Sub-section (1) of Section 96, at the rate of One Hundred Rupees per month, to a person as referred to in Sub-section (4) of Section 4 of the Act and an amount which is higher out of an amount, calculated in a case of other person at the rate of 0.1 percent per annual on the computable amount without deducting any amount where one may deduct such an amount in computing the income in that income year and including such an amount which is to be included on it or

at the rate of One Hundred Rupees per month, higher in those items."

- (b) The following Sub-section (2) shall be Substituted for Sub-Section (2) :

(2) If any person does not maintain the documents required to be maintained in any income year pursuant to Section 81, a fee in a sum to be set by one and a half percent per year of the assessable income drawn out without deducting any amount, if any, that can be deducted and by including any amount, if any, that has to be included in computing the income of any income year for each month and portion of the month or a sum set by one Thousand Rupees per month, whichever is higher, shall be imposed on such a person.

- (73) The following Section 118 shall be Substituted for Section 118:

"118. Interest to be charged where the person making payment in installments makes lesser payment of estimated tax: (1)

In cases where, in the case of the amount of installment to be paid by any person under Section 94 in any income year, the amount mentioned in Clause (b) is more than the amount mentioned in Clause (a), interest shall be charged on such excess amount pursuant to Sub-section (2):

- (a) Amount of each installment paid by that person in any income year,
- (b) Eighty percent of the estimated or revised estimated amount of total amount payable by installments for each installment period in that income year if such estimate or revised estimate is correct and, if such estimated or revised estimated amount is not correct, that of such amount, of the total amount of tax to be paid by

any person referred to in Clauses (a) and (b) of Section 3, as is to be paid in installment for each installment period in any income year.

(2) An interest to be set by the normal rate of interest, for each month and portion of the month, from the due date for payment of the installment in that year to the following period shall be imposed on the person referred to in Sub-section (1):

- (a) In the case of a person in respect of whom tax is to be assessed under Sub-section (1) of Section 99, until the date for Submission of the income return,
- (b) In the case of a person in respect of whom the Department has made revised tax assessment for the first time under Section 101 because of failure to make tax assessment under Sub-section (1) of Section 99, until the date on which a notice of that revised tax assessment is delivered pursuant to Section 102.

Explanation: For the purposes of this Section, "amount payable by installment" means the amount of installments calculated pursuant to Sub-section (1) of Section 94 in the case of a taxpayer who fails to Submit a revised estimate once an estimate has been Submitted and in respect of whom the Department has made estimate pursuant to Sub-section (7) of Section 95 because of his failure to Submit an estimate and calculated pursuant to Sub-section (5) of

Section 95 in the case of a taxpayer Submits a revised estimate and in respect of whom the Department has made estimate pursuant to Sub-section (7) of Section 95 because of being unsatisfied with the Submitted estimate or revised estimated."

- (74) The following Sub-section (3) shall be Substituted for Sub-section (3) Section 119:

(3) The person withholding tax pursuant to Sub-section (8) of Section 95A or the person shall not be allowed to recover the interest payable by him/her from the person withholding advance tax pursuant to Sub-section (4) of Section 90.

- (75) The following Section 119A. shall be inserted after Section 119.:

"119A. Fees to be charged: Except as otherwise provided in this Act, a person who fails to observe any provision of this Act or the Rules framed hereunder shall be liable to pay fees equivalent to the fine specified pursuant to Section 128."

- (76) The words "in this Act" shall be Substituted for "Chapter-23" contained in Section 121:

- (77) The following explanation shall be substituted for the explanation of Section 124:

"Explanation: For purposes of this Section, "any information or statement submitted to the Department" means any statement submitted in writing to the Department or to the officer authorized by the Department in the course of performing the duties pursuant to this Act and includes the statement submitted as follows:

- (a) Application, notice, description, complaint, deposition, or other document submitted, prepared, given or furnished pursuant to this Act,
- (b) Document submitted to the Department or any officer of the Department,
- (c) Reply to any question asked by the Department or any officer to any person, or
- (d) Information given by any person who has reasonable knowledge of the matter to be informed to the Department or any officer through any other person.”

(78) The following Section 136A. shall be inserted after Section 136:

“136A. **Provision of awarded**: In case someone avoids or attempts to avoid the tax liability as a whole or in part and if someone informs the same along with evidence such a person shall may be awarded equal to Twenty percent of the amount of the tax assessable from the evidence submitted by such a person out of the tax amount recovered on the basis of such information.

(79) **Repeal**: Section 66, 89A and 89B shall be deleted.

(81) **Amendment to Schedule-1**:

(1) Of Section 1:

- (a) The following Sub-section (1), (2), (3), (4), (5), (6) and (7) shall be substituted for Sub-section (1), (2), (3), (4), (5), (6) and (7) :

"(1) Tax shall be levied at the following rate on the taxable income of any resident natural person in any income year, subject to Sub-sections (2) and (4) of this Schedule:-

- (a) For the taxable income not exceeding One Hundred Sixty Thousand Rupees on employment, at the rate of One percent tax.
- (b) Where the taxable income is more than One Hundred Sixty Thousand Rupees but less than Two Hundred Sixty Thousand Rupees, pursuant to Clause (a), One Thousand Six Hundred Rupees for upto One Hundred Sixty Thousand Rupees and at the rate of Fifteen percent if the taxable income is more than One Hundred Sixty Thousand Rupees.
- (c) Where the taxable income is more than Two Hundred Sixty Thousand Rupees, pursuant to Clause (b), Sixteen Thousand Rupees for upto Two Hundred Sixty Thousand Rupees and at the rate of Twenty Five percent if the taxable income is more than Hundred Sixty Thousand Rupees. and
- (d) Where the taxable income is more than Twenty Five Hundred Thousand Rupees, pursuant to Clause (c), additional Forty percent tax shall be levied.

Provided that, in the case of taxpayer of a sole registered firm pursuant to Clause (a), One percent tax shall not be levied.

(2) Tax shall be levied by the following rates on the taxable income of any spouse making a choice pursuant to Section 50 in any income year, subject to sub-sections (4) of this Schedule:-

- (a) One percent tax shall be levied on the taxable income on employment not exceeding Two Hundred Thousand Rupees.
- (b) Where the taxable income is more than Two Hundred Thousand Rupees but less than Three Hundred Sixty Thousand Rupees, pursuant to Clause (a), Two Hundred Thousand Rupees for upto Two Thousand Rupees and at the rate of Fifteen percent if the taxable income is more than Two Hundred Sixty Thousand Rupees.
- (c) Where the taxable income is more than Three Hundred Thousand Rupees, pursuant to Clause (b), seventeen Thousand Rupees for upto Three Hundred Thousand Rupees and at the rate of Twenty Five percent if the taxable income is more than Three Hundred Thousand Rupees.
- (d) Where the taxable income is more than Twenty Five Hundred Thousand Rupees, pursuant to Clause (c), additional Forty percent tax shall be levied.

Provided that, in the case of taxpayer of a sole registered firm pursuant to Clause (a), One percent tax shall not be levied.

(3) The provision contained in sub-section (4) of this Schedule shall apply in the following circumstances:-

- (a) In the case of a resident natural person, where the income is more than One Hundred Sixty Thousand Rupees in any income year or in the case of a resident spouse who has not made a choice pursuant to Section 50, where the income is more than Two Hundred Thousand Rupees in any income year, and
- (b) Where the net profit derived from the disposal of non-business taxable property is included in the computation of the income and corresponding taxable income of that natural person or spouse.

(4) Tax shall be levied by the following rate on the following person, subject to sub-section (3) of this Schedule:-

- (a) Tax shall be levied by the rate referred to in sub-section (1) or (2) of this Schedule on the amount whichever is higher out of the following amounts, as if only it were the taxable income of that natural person or spouse:-

- (1) The amount remaining balance after subtracting the amount of profit from the total taxable income of that natural person or spouse, or
 - (2) One Hundred Sixty Thousand Rupees, in the case of a natural person, or Two Hundred Thousand Rupees, in the case of a spouse.
- (b) Tax shall be levied by ten percent on the remaining amount of the taxable income.

Provided that,

- (1) Tax shall be levied by Five percent on Disposal of non-business taxable property (land and building and land) on more than Five years of ownership.
- (2) Tax shall be levied by Ten percent on Disposal of non-business taxable property (land and building and land) on less than Five years of ownership.

(5) For the individuals working in the remote areas specified by the Government of Nepal, a maximum sum of Fifty Thousand Rupees shall, for the remote allowance, be deducted from the taxable income, as prescribed, and the tax shall then be calculated on the remaining amount only, in accordance with this Section."

(6) For the employee working in the abroad based diplomatic missions of the State of Nepal, Seventy Five percent amount of their abroad allowance shall be deducted from the taxable income, and the tax shall then be calculated on the remaining amount only, in accordance with this Section."

(7) The amount of tax pursuant to sub-section (4) of Section 4 of this Act shall be as follows:-

(a) In the case of a natural person carrying on a business in the municipal corporation or sub-municipal corporation area, Three Thousand Five Hundred Rupees,

(b) In the case of a natural person carrying on a business in the municipal area, Two Thousand Rupees,

(c) In the case of a natural person carrying on a business in any other place, One Thousand Two Hundred Fifty Rupees."

(b) The following Sub-section (9), (10), (11),(12),(13),(14) and (15) shall be inserted after Sub-section (8):

(9) Notwithstanding anything contained elsewhere in this Section, in cases where any resident natural person has a pension income, tax shall be computed pursuant to this Section only on the amount remaining balance after subtracting an additional twenty-five percent of the amount mentioned in clause (a) of Sub-section (1) for the natural person or in clause (a) of Sub-section (2) for the spouse from the

taxable income. But the threshold of such reducing amount will not be more than as prescribed.

“(10) Notwithstanding anything contained elsewhere in this Section, where any resident natural person is the disabled, additional Fifty percent of the amount mentioned in Clause (a) of Sub-section (1) for such individual and in Clause (a) of Sub-section (2) for spouse shall be deducted from the taxable income, and the tax shall then be calculated on the remaining amount only, in accordance with this Section.”

(11) Notwithstanding anything contained elsewhere in this Section, if resident natural person is a woman whose taxable income mentioned in labour, such person shall be exempt Ten percent from the taxable amount.”

(12) Notwithstanding anything contained elsewhere in this Section, where any resident individual has procured an insurance business, the amount to be set by investment insurance or Twenty Thousand Rupees, whichever is lesser, out of the premium paid for the same, shall be deducted from the taxable income, and the tax shall then be calculated on the remaining amount only, in accordance with this Section.

(13) Notwithstanding anything contained elsewhere in this Section, the owners of vehicles on hire shall pay annual tax at the following rates. If the owner of vehicle is an individual, the tax so paid shall be final and binding.

<u>Category of vehicles</u>	<u>Annual tax payable per vehicle</u>
(a) Mini-bus, mini-truck, truck and bus	Rs. 1,500/-
(b) Car, jeep, van and microbus	Rs.1,200/-
(c) Three wheeler, auto-rickshaw, tempo	Rs. 850/-
(d) Tractor and power tiller	Rs. 750/-

(14) Notwithstanding anything contained elsewhere in this Section, if an individual is fully engaged in the operation of a special industry mentioned in Section 11 of this Act throughout any year, in calculating tax pursuant to this Section, tax shall be charged by Twenty percent of the taxable income, instead of Twenty Five percent thereof.

(15) Tax shall be charged at the rate of Fifteen percent on the taxable income, instead of Twenty Five percent if it is earned by a natural person from exports in any income year."

(2) of Section (2):

(a) The words "cigarette, *Bidi*, cigar, chewing tobacco, *Khaini*, liquors, beer" shall be inserted after the words "in any income year" contained in Sub-section (2).

(b) The following Clause (b) shall be substituted for Clause (b) of Sub-section (3):

"(b) In cases where the entity,

(1) Builds and operates any road, bridge, tunnel, ropeway or sky-bridge, or

Explanation: Ropeway includes *cablekar* constructed for the purpose for carrying goods or movement of the people .

- (2) Operates any trolley bus or tram, or"
- (3) Any co-operative so transacting except the co-operatives which is registered pursuant to Co-operatives Act, 2048 and enjoying tax exemption in its transaction.

(c) The following Sub-section (3a) shall be inserted after Sub-section (3):

"(3a) Tax shall be levied by twenty percent on the taxable income earned by any entity, through its source in Nepal, from exports in any income year."

(d) The following Sub-section (5) shall be substituted for Sub-section (5):

"(5) Tax shall be levied, pursuant to Sub-sections (1) and (4) of Section 1 of this Schedule, on the taxable income of a trust acquiring or looking after the property belonging to any deceased resident person or of a disabled resident individual in any income year as if the one who acquires or looks after or that trust money or trust resident were an individual."

(e) The word "Five" shall be Substituted for "Ten" of Sub-section (3):

(f) The following Sub-section (7) shall be substituted for Sub-section (7):

“(7) Tax shall be levied by Five percent on the taxable income of any non-resident person in relation to the income referred to in Section 70 in any income year.

Provided that, in the case of a non-resident person providing telecommunication, air transport or water transport service, which does not so depart from the State of Nepal that it has destination in a foreign country, tax shall be levied by two percent."

(2) Of Schedule-2:

- (a) The words "Sub-section (5)" shall be substituted for "Section (5) contained in Clause (b) of Sub-section (3) of Section (2) :
- (b) The following Sub-section (3) and (4) shall be inserted after Sub-section (3):
 - (3) The production oriented industries which have capitalized capital amount from its property to generate power (*urjashakti*) required for such industry shall be entitled to claim the Fifty percent depreciation in same year.
 - (4) If a person issues receipts (bills) installing fiscal printer and cash machine, he/she may claim the total amount invested on such machines as depreciation in the same year.