

**FINANCIAL ACT, 2077**

Preamble:

Whereas, it is expedient to amend the existing laws concerning revenue collection, reduction, increment, concession of tax and revenue administration to enforce the finance bill of the Government of Nepal for the fiscal year 2077/078 (2020/021).

Now, therefore, Parliament has enforced this Act.

1. **Short Title and Commencement**: (1) This Act may be called as the “Financial Act, 2077 (2020)”.

(2) Section 1, 2, 3, 4, 5, 6, 7, 8, 9,10, 11, 12, 13, 20, 21, 22, 23, 24, 25, 26, 27, 28, 29, 30, 31, 33, 34 and 36 shall come into force immediately and other Sections shall come into force since 1 Shrawan, 2077.

2. **Customs Duty**: (1) Customs duty shall be levied and recovered as per Schedule-1 on the goods to be imported.

(2) Customs duty shall be levied and recovered as per Schedule-2 on the goods to be exported.

3. **Customs Service Fee**: Customs service fee at the rate of Nepalese Rupees One hundred (NRs. 100) per Declaration form for the export and at the rate of Nepalese Rupees Five Hundred (NRs.500) per Declaration form for the import shall be levied and recovered.

However, customs service fee shall not be levied on export duty chargeable goods, goods imported or exported on diplomatic or tariff facility, goods imported temporarily upon payment of duty, goods taken by the passengers themselves via airways and goods imported or exported of value of up to Nepalese Rupees Five Thousand (NRs. 5,000).

4. **Agriculture Reform Fee**: Agricultural Reform Fee shall be levied and recovered on the import of goods mentioned in Section 16 of Schedule-1 at the rate mentioned on the same Section on the import price.

However, agriculture reform fee shall not be levied on import of such goods if the customs duty is levied on the import of such goods.

5. **Excise Duty**: Excise duty shall be levied and recovered as per Excise Duty Act, 2058 (2002) on goods or substances manufactured or prepared in industries inside Nepal or goods, substances or services imported.
6. **Value Added Tax**: Value Added Tax shall be levied and recovered as per Value Added Tax Act, 2052 (1996).
7. **Health Risk Tax**: (1) Health risk tax shall be levied proportionately at the rate of 25 paisa per loosey on *bidi* imported or manufactured in Nepal, at the rate of 50 paisa per loosey on cigarette and cigar and at the rate of forty rupees per kilogram on chewing tobacco, *khaini*, *gutkha*, *paan masala*.  
(2) Tax pursuant to sub-section (1) shall be recovered at the customs point during import and at the time of removal from enterprise in case of domestic production.  
(3) The regulation and administration of health risk tax shall be as determined by Inland Revenue Department.
8. **Education Service Fee**: (1) Education service fee shall be levied and recovered from the students going for education to abroad at the time of exchange of foreign currency for education fee at the rate of 2% on such exchanged amount.  
(2) Bank or Financial Institutions providing the exchange facility as per sub-section (1) shall deposit the amount collected as education service fee in the revenue account within twenty-fifth of the next month and shall furnish the returns of such to the concerned Inland Revenue Office.  
(3) Administration of education service fee shall be as determined by Inland Revenue Department.
9. **Infrastructure Development Tax**: Infrastructure Development Tax shall be levied and recovered at the customs point at the rate of ten rupees per liter of petrol and diesel imported into Nepal.
10. **Road Construction Charges**: (1) Road Construction Charges shall be levied and recovered as per Schedule-3 on motor vehicles imported into Nepal or manufactured in Nepal.  
(2) Road Construction Charges shall be recovered by the Customs Office at customs point on motor vehicles imported after the commencement of this Act; and for the vehicles imported prior to commencement of this Act but not yet registered and

vehicles manufactured in Nepal and brought to use, road construction fee shall be recovered at the time of registration by the office registering such vehicles.

(3) Road Construction Charges shall be deposited in the federal consolidated fund.

(4) The return of the Charges collected as per sub-section (2) shall be sent to Ministry of Finance, Government of Nepal in the monthly basis.

11. **Road Maintenance and Improvement Charges:** Road maintenance and improvement charges shall be levied and recovered at Customs point at the rate of four rupees per liter for petrol imported and at the rate of two rupees per liter for diesel imported into Nepal.
12. **Film Development Fee:** Film development fee shall be levied and recovered as per Schedule-4 on the ticket amount of the foreign movie released in Nepali cinema houses.
13. **Pollution Control Fee:** Pollution control fee shall be levied and recovered at the rate of one rupee fifty paise per liter of petrol or diesel sold or distributed inside Nepal.

(2) The fee pursuant to sub-section (1) shall be recovered by the importer and deposited in the revenue account within twenty-fifth of next month.

(3) If the importer fails to deposit the fee within the period provided in sub-section (2), the fee shall be recovered from the concerned importer along with the interest at the rate of 15% per annum.

(4) Administration of pollution control fee shall be as determined by Inland Revenue Department.

14. **Telephone Ownership Fee:** (1) Telephone ownership fee of five hundred rupees shall be recovered from the consumers with new telephone connection. It shall also be recovered in the event of transfer of ownership from the person acquiring the ownership of telephone connection.

However, in case of mobile phones, telephone ownership fee shall be levied at the rate of 2% of per recharge amount and per sim card.

(2) The fee pursuant to sub-section (1) shall be recovered by the entity providing telecommunication services and shall deposit the fee of each month within twenty-fifth of the next month in the revenue account.

(3) If the fee is not deposited within the period provided in sub-section (2), fee shall be recovered from the concerned entity along with the interest at the rate of 15% per annum.

(4) Administration of telephone ownership fee shall be as determined by Inland Revenue Department.

15. **Telecommunication Service Charge:** (1) Telecommunication service charge shall be recovered by the entity providing telecommunication service such as telephone, mobile, internet etc. at the rate of 13% of the service fee received from the consumer by such entity.

(2) The charge pursuant to sub-section (1) shall not be levied on interconnection charge to be paid for using each other's network by licensed telecommunication service provider and up to 50% of maintenance charges of fixed broadband service charges.

(3) The charge pursuant to sub-section (1) shall be recovered by the person or entity providing the telecommunication service and such charge collected of every month shall be deposited within twenty-fifth of the next month in the revenue account.

(4) If the telecommunication service charge collected is not deposited within the time period as provided in sub-section (3), such charge shall be recovered from the concerned person or entity along with the additional charge at the rate of 5% on such outstanding amount of charge.

(5) Administration of telecommunication service charge shall be as determined by the Inland Revenue Department.

16. **Casino Royalty:** (1) Licensed casino operators shall pay royalty of total four crore (40 million) per annum for operating casino in Nepal and one crore (10 million) per annum for gaming through modern machine or equipment.

(2) For the purpose of sub-section (1), gaming shall be permitted in only one place from one license.

(3) The amount of royalty pursuant to sub-section (1) shall be deposited in Ministry of Culture, Tourism and Civil Aviation, Government of Nepal within six (6) months of beginning of each fiscal year by the licensed casino operators.

(4) If the royalty amount is not deposited within the time period provided in sub-section (3), the royalty amount shall be recovered from such person or entity along with

additional fee at the rate of 15% for next three months after the expiry of the time period and at the rate of 30% per annum on the outstanding royalty after the expiry of three months period.

(5) The entire of the work for regulation and administration of casino royalty shall be done by Ministry of Culture, Tourism and Civil Aviation, Government of Nepal.

(6) If the licensed casino operator having license to operate casino or gaming with modern machine or equipment as per the prevailing laws deposits entire of the outstanding casino royalty and additional fee charged thereon and fifty percent of the annual additional fee up to fiscal year 2075/76 and royalty and additional fee charged thereon and annual additional fee up to fiscal year 2076/77 by the end of the month of Chaitra, 2077, outstanding additional fee and annual additional fee till fiscal year 2075/76 shall be exempted.

17. **Provision regarding Social Security Fund:** (1) Income Tax at the rate of 1% shall be levied as per Section 1 of Schedule 1 of Income Tax Act, 2058 (2002) in the annual employment income of up to four lakhs for a single natural person and of up to four lakhs and fifty thousand for a natural person who has elected couple.

(2) The tax amount pursuant to sub-section (1) shall be recovered by deducting at source at the time of payment.

(3) The amount recovered as per sub-section (2) shall be deposited in a separate revenue account.

(4) Notwithstanding anything contained in sub-section(1), income tax pursuant to this Section shall not be levied on the retirement income and income of a natural person contributing to the contribution-based retirement fund.

18. **Rate may be increased, reduced or exempted:** (1) Notwithstanding anything contained elsewhere in prevailing laws, Government of Nepal, as per necessity, may reduce or increase the rate of charge, fee, duty or tax levied as per this Act or other prevailing laws or provide partial or complete exemption on such charge, fee, duty or tax.

(2) Notwithstanding anything contained in sub-section (1), Ministry of Finance, Government of Nepal may reduce the rate of or provide partial or complete exemption on charges, fee, duty or tax levied as per this Act to the not for profit public or community

organizations, Government of Nepal, state government, local bodies or corporate bodies owned by Government of Nepal.

(3) Notwithstanding anything contained in sub-section (1), Ministry of Finance, Government of Nepal may reduce the rate of charge, fee, duty or tax levied as per this Act or other prevailing laws or provide partial or complete exemption on such charge, fee, duty or tax on goods imported under the conditions prescribed and imported for and in the name of projects operated with foreign loan or aid, for and in the name of projects operated for project development as per the project development agreement signed with Government of Nepal or Investment Board or in the name of the contractor appointed by the project.

(4) If anyone misuse the concession provided pursuant to sub-section (1), (2) and (3) or uses the goods received in concession for other purpose, the charge, fee, duty or tax shall be recovered along with a fine equivalent to such charge, fee, duty or tax.

(5) Ministry of Finance, Government of Nepal shall file the details of tax rate reduced or increased, or any partial or complete exemption on charge, fee, duty or tax provided pursuant to this Section to the federal parliament every year.

(6) Notice concerning any reduction, increment of the tax rate or concession provided pursuant to this Section shall be published in the Nepal Gazette.

19. **Simplification of procedure or Removal of Obstruction:** (1) In the course of implementation of Value Added Tax Act, 2052 (1996), Excise Duty Act, 2058 (2002), Income Tax Act, 2058 (2002), Customs Act, 2064 (2007) and this Act, if the concession provided under this Act cannot be enjoyed or any seriousness is caused or obstruction is caused in the implementation of said Acts and this Act due to serious disturbance in public peace and order, disturbance in public movement, or any calamity, Ministry of Finance, Government of Nepal may, as required, extend the time period, simplify the procedure or remove the obstruction.

(2) Notice regarding removal of obstruction pursuant to Sub-section (1) shall be published in Nepal Gazette.

20. **Exemption of fee and interest to persons coming to tax net:** (1) Any person who had taxable income but has not deposited tax on such taxable income, if obtains permanent account number (PAN) and files income return for fiscal year 2074/75 and 2075/76 and

deposits the tax payable on such income by the end of the month of Falgun, 2077 B.S., the fee and interest chargeable thereon shall be exempted.

(2) If the income returns and tax is filed pursuant to Sub-section (1), income returns and tax, fee and interest payable thereon for the preceding fiscal years is not required to be filed.

(3) If the person does not deposit the tax along with income returns pursuant to sub-section (1), such person shall be made to file the income returns for the period he/she has earned income and tax, fee and interest payable thereon shall be recovered from such person.

21. **Exemption of additional fee, fee, interest and fine** (1) A natural person having obtained the permanent account number (PAN) and has annual transaction up to 50 lakhs rupees (Five Million Rupees) but has not filed income returns, if files income returns for fiscal year 2073/74, 2074/75 and 2075/76, deposits income tax as per those income returns and 25% of the interest on the income tax by the end of the month of Falgun, 2077 B.S., the person shall be exempted from filing the income returns for the preceding fiscal years and tax, fee and outstanding interest on income on those preceding fiscal years.

(2) A natural person or an entity having obtained permanent account number (PAN) and has annual transaction exceeding 50 lakh rupees (Five Million Rupees) but has not filed income returns for fiscal year 2073/74 or preceding fiscal years, if files income returns and deposits tax and 25% of interest payable as per the income returns by the end of the month of Falgun, 2077 B.S., fee and remaining interest payable shall be exempted.

(3) Any tax payer registered in Value Added Tax (VAT) who has not filed VAT returns of up to the end of the month of Asadh, 2075 B.S., if files VAT return, VAT as per the returns and 50% of the interest payable thereon by the end of the month of Falgun, 2077 B.S., fine, additional fee and remaining interest shall be exempted.

(4) Among the taxpayers not filing the VAT returns within the time period provided in sub-section (3), registration of taxpayers not filing the tax returns of up to Asadh end, 2073 B.S. shall be ipso facto cancelled.

(5) Taxpayers whose registration is cancelled pursuant to sub-section (4) shall be provided exemption of fine payable due to late filing of returns or non-filing of the returns.

(6) Record of amount of arrears of a taxpayer other than arrears pursuant to sub-section (5) shall be maintained and recovered.

22. **Special Provision regarding exemption of tax, fee and interest to Drinking Water and Sanitation Consumer Group:** (1) Drinking Water and Sanitation Consumer Group registered under Water Resources Act, 2049 shall be provided exemption on outstanding tax, fee and interest among the outstanding tax, fee and interest as determined in the tax assessment done by the Inland Revenue Office of up to fiscal year 2075/76 and income tax in the income earned as per the objective of the consumer group as per Income Tax Act, 2058 in the fiscal year 2076/77 and the preceding fiscal years.
23. **Special Provision regarding exemption of arrear:** Among the Income Tax Arrear maintained as record under Income Tax Act, 2031 and Hotel tax, entertainment tax, contract tax, sales tax repealed by Value Added Tax Act, 2052 which have remained arrear and maintained as record till the end of Asadh, 2060 B.S., fifty thousand of the outstanding tax per record and the interest thereon have been exempted.
24. **Special Provision regarding exemption of fee, additional fee and fine:** If a taxpayer whose income tax, VAT or Excise duty assessment has been completed by the Inland Revenue Office before the end of Asadh, 2075 B.S. (except the case of false or fake invoice) and such taxpayer who is not satisfied with the assessment has filed an administrative review petition at the Department upon such assessment and the petition is under consideration at the Department, or taxpayer who is not satisfied with the decision of the Department has filed an appeal at Revenue Tribunal or court upon the decision of the Department and the case is under consideration, withdraws the administrative review petition or the appeal and deposits the income tax, value added tax or excise duty as determined in such assessment and the interest thereon by the end of month of Falgun, 2077 B.S., fee, additional fee and fine shall be exempted.
25. **Special Provision regarding tax exemption and concession to transaction affected by COVID-19 pandemic:** (1) Taxpayer having annual transaction of up to twenty lakhs or income of up to two lakhs (two hundred thousand) and subject to income tax pursuant to

Sub-section (4) of Section 4 of Income Tax Act, 2058 (2002) shall be granted an exemption of 75% on the income tax to be levied on the income of such taxpayer for the fiscal year 2076/77.

(2) Taxpayer having annual transaction of twenty lakhs (two million) rupees to fifty lakhs (five million) rupees and subject to income tax based on turnover pursuant to sub-section (4A) of Section 4 of Income Tax Act, 2058 (2002) shall be granted an exemption of 50% on the income tax for the fiscal year 2076/77.

(3) Any person having annual transaction of up to one crore (10 million) rupees shall be granted an exemption of 25% on the income tax levied pursuant to Income Tax Act, 2058 (2002) for the fiscal year 2076/77.

(4) Taxpayer operating hotel, travel, trekking, transportation or aviation service and having annual transaction exceeding one crore (ten million) rupees shall be granted an exemption of 20% on the income tax to be levied on the income pursuant to Income Tax Act, 2058 (2002) for the fiscal year 2076/77.

26. **Special provision regarding contribution made to fund for prevention, control and treatment of corona infection established in central (Nepal Government), state or local level:** Any contribution made in the fiscal year 2076/77 to the fund for prevention, control and treatment of corona infection established by Nepal Government, in state or local level shall be allowed as expenses in computing the taxable income of such person for that fiscal year.
27. **Special provision regarding the wages distributed to workers not having permanent account number:** Notwithstanding anything contained in clause (d1) of sub-section (1) of section 21 of Income Tax Act, 2058 (2002), for the purpose of computing income from business or investment for the fiscal year 2076/77, wage amount of up to three thousand rupees paid to a worker on a casual basis shall be allowed as expenses even if the natural person receiving the wages has not obtained permanent account number.
28. **Special provision regarding expenses against the invoice with no permanent account number mentioned:** Notwithstanding anything contained in clause (d2) of sub-section (1) of section 21 of Income Tax Act, 2058 (2002), for the purpose of computing income from business or investment for the fiscal year 2076/77, direct purchase of agricultural based, forest based, animal based or other domestic products from a natural person not

engaged in business and payment of amount up to Rupees Two Thousand against the invoice with no permanent account number mentioned shall be allowed as expenses.

29. **Special provision regarding the income contributed to contribution based social security fund by a person opting for couple:** Notwithstanding anything contained in clause (e) of sub-section (2) of section (1) of Schedule-1 of Income Tax Act, 2058 (2002), income tax pursuant to clause (a) of sub-section (2) shall not be levied on such income contributed to the contribution based social security fund by a person who has chosen couple as per Section 50 of the Act.
30. **Special provision regarding transfer of amount as contribution to Social Security Fund:** If any person participating or wishing to be participate in Social Security Fund established pursuant to Contribution based Social security Fund Act, 2074 transfers the amount he/she had deposited in the approved retirement fund to the Social Security Fund by the end of month of Chaitra, 2077 B.S., tax deduction at source pursuant to Section 88, Income Tax Act, 2058 (2002) shall not be done on such transfer of amount.
31. **Special provision on one third additional depreciation on depreciable assets:** Notwithstanding anything contained in sub-section (2) of section (3) of Schedule-2 of Income Tax Act, 2058 (2002), if an entity is involved in operation of special industry pursuant to Section 11 throughout the fiscal year 2076/77 or if an entity is involved in construction and operation of road, bridge, tunnel, ropeway, railway or overhead bridge or operation of tram or trolley bus, such entity shall be granted one third additional depreciation on the depreciation rate applicable to assets in class "A", "B", "C" and "D" mentioned in Section 1 of the said Schedule in that fiscal year.
32. **Interim Administration of House and Land Registration Fee:** Until the medium, resources, technology, human resources and offices are managed at municipality or rural municipality and state to collect house and registration fee pursuant to Inter-government Finance Management Act, 2074, fee at the rate as determined by the concerned office of Nepal Government or state government shall be collected and deposited in the consolidated fund of the concerned state or local level as per the Inter-government Finance Management Act.