

# Income Tax Rates FY 2016-17

## 1. Personal Income Tax

### 1.1 For Residents: Natural Person

Tax Banding	Tax Rates					
	FY 2016-17		FY 2015-16		FY 2014-15	
<b>Individual</b>						
(a) First Slab	350,000	1%*	250,000	1%*	250,000	1%*
(b) Second Slab	100,000	15%	100,000	15%	100,000	15%
(c) Third Slab	Upto 2,500,000	25%	Upto 2,500,000	25%	Upto 2,500,000	25%
(d) Balance Exceeding Rs 2,500,000	> 2,500,000	35%	> 2500,000	35%	> 2,500,000	35%
<b>Couple</b>						
(a) First Slab	400,000	1%*	300,000	1%*	300,000	1%*
(b) Second Slab	100,000	15%	100,000	15%	100,000	15%
(c) Third Slab	500,001 to 2,500,000	25%	400,001 to 2,500,000	25%	400,001 to 2,500,000	25%
(d) Balance Exceeding Rs 2,500,000	> 2,500,000	35%	> 2,500,000	35%	> 2,500,000	35%

*Note*

A. Additional Deductions	Remarks
<b>Natural person working at remote areas Remote Area Allowance</b>	Additional deduction from taxable amount up to Rs 50,000. (A-50,000, B-40,000, C-30,000, D-20,000, E-10,000)
<b>Natural person with pension income included in the taxable income</b>	Additional deduction from taxable amount equal to 25% of amount prescribed under first tax band
<b>Incapacitated natural person</b>	Additional deduction from taxable amount equal to 50% of amount prescribed under first tax band
<b>B. Deduction on Income</b>	
<b>Life Insurance Premium</b>	A natural person who has procured life insurance and paid premium amount thereon shall be entitled to a reduction of actual annual insurance premium or Rs 20,000 whichever is less from taxable income
<b>Medical Insurance</b>	A natural person insured in resident insurer for health insurance shall be entitled to a reduction of actual premium paid or Rs 20,000 whichever is less
<b>Contribution to Retirement Fund</b>	1/3 of taxable income or Rs 300,000 which-ever is lower;
<b>C. Rebate on Tax Rates</b>	
<b>In case of resident individual women having only remuneration income</b>	Rebate of 10% on the tax liability calculated as other natural person. i.e. not applicable for women with couple status.
<b>Retirement payment resulting from Merger</b>	In case of decision of the organization to provide group retirement to its employees (in the event of merger or acquisition) except to the payment made as per the employment term or the payment made by retirement fund, a rebate of 50% on withholding tax.
<b>D. Foreign Allowances</b>	
<b>In case of the employee employed at the foreign diplomatic mission of Nepal</b>	Only 25% of the foreign allowances are to be included in the income from employment
<b>E. Tax Exemption</b>	
<b>Compensation received against deceased natural person</b>	Compensation received against the deceased of natural person is not required to be included in income
<b>F. Compulsory Filing</b>	
<b>Natural Person Having Taxable Income exceeding Rs 4 million</b>	A natural person having taxable income exceeding Rs 4 million during an Income Year shall submit income return u/s 96

\* This is the Social Security Tax to be deposited in a separate revenue account (11211) provided for this purpose. However tax payer registered as sole proprietorship or **on Pension Income** shall not be taxed at 1 %.

# Income Tax Rates FY 2016-17

## 1.2 For Non Residents

	Nature of Transaction	FY 2016/17	FY 2015/16	FY 2014/15
a)	Income earned from normal transactions	<b>25% flat rate</b>	25% flat rate	25% flat rate
b)	Income earned providing shipping, air or telecom services, postage, satellite in FY 2015-16 and optical fiber project	<b>5%</b>	5%	5%
c)	Income earned providing shipping, air or telecom services through the territory of Nepal.	<b>2%</b>	2%	2%
d)	Repatriation of profit by Foreign Permanent Establishment.	<b>5%</b>	5%	5%

## 1.3 Special provisions for Resident Natural Person

	Particulars	FY 2016/17	FY 2015/16
a)	Income earned by natural person engaged on special industry under sec(11) for whole year	Tax @ 20% on taxable income for which tax rate of 25% is applicable	-do-
b)	Income earned from export by natural person	Tax @ 15% on taxable income for which tax rate of 25% is applicable	-do-
c)	Income of trust	Tax rate as applicable to Natural Person	-do-

## 1.4 Special Provision for resident natural person having income exceeding Rs 2 Million but less than Rs 5 Million

Natural person those who meet following criteria shall be taxed on the basis of turnover as follows:

Natural person engaged in	FY2016/17	2015/16	2014/15
a) Gas, cigarette business doing transaction with 3% margin or commission	<b>0.25 % of Transaction amount</b>	0.5%	NA
b) Other person except those involved in business as above (a)	<b>0.75 % of Transaction</b>	1.5%	NA
c) Person engaged in service business except doctor, engineer, auditor, player, actor or consultants.	2% of Transaction amount	-do-	NA

*Note: If income tax calculated is below Rs 5,000 then above person shall pay Rs 5,000 instead of tax at above rate.*

### Conditions for turnover taxation:

- a) Person having income from business only.
- b) Person not claiming medical tax credit u/s 51 and advance tax u/s 93.
- c) Person not claiming Advance income tax under section 93.
- d) Having turnover of business more than 2 million but not exceeding Rs 5 million.
- e) Person not registered in VAT.
- f) Natural person not having income from consultancy or specialized services such as those provided by doctor, engineer, auditor, layer, player, actor or consultants.

# Income Tax Rates FY 2016-17

## 2. Corporate Income Tax

### 2.1 Tax rates for Entity- Company/Firm/Industry

S.No.	Particulars	FY 2016/17	FY 2015/16	FY 2014/15
<b>A</b>	<b>Tax rate @ 25%</b>			
	Normal business	25 %	25%	25%
<b>B</b>	<b>Tax rate @ 20%</b>			
I	Entity operating Special Industry under section 11 for whole year	20%	20%	20%
ii	Other entities involved in business of construction of roads, bridges, tunnels, rope-ways, suspension bridges			
iii	Entity operating trolley bus or tramps			
iv	On transactions of cooperatives (other than tax exempted transactions) of registered under Cooperative Act, 2048			
V	Taxable income Export of entity having income source from Nepal			
Vi	Entity those involved in construction or operation of public infrastructure and to be transferred to Nepal Government or involved in construction of hydropower house and its generation and transmission.			
<b>C</b>	<b>Tax Rate @ 30%</b>			
I	Banks and financial institutions (Commercial Banks, Development Banks and Finance Companies)	30%	30%	30%
ii	Entity carrying General insurance business (Non life Insurance)			
iii	Entity engaged in petroleum business under Nepal Petroleum Act, 2040			
iv	Entity engaged in business of cigarette, tobacco, cigar, chewing tobacco, alcohol and beer			

# Income Tax Rates FY 2016-17

## 2.2 Tax Concessions and Rebate on Corporate Tax

S.No.	Particulars	FY 2016/17	FY 2015/16	FY 2014/15
<b>1.</b>	<b>Concessions based on employment provided</b>			
	Special industries and information technology industries providing direct employment to 300 or more Nepalese citizens throughout the year	90% of normal rate (NR)	-do-	-do-
	Special industries providing direct employment to 1200 or more Nepalese citizens throughout the year	80% of NR	-do-	-do-
	Industries providing direct employment to 100 or more Nepalese citizens through the year of which at least 33% represented by women, dalit and handicapped.	80% of NR	-do-	-do-
	Special Industry, Agro-based industry and industry related with Tourism sector providing direct employment to only Nepalese citizens provided that number of employees shall be at least 100 throughout the year	70 % of Normal Rate	-do-	NA
<b>2.</b>	<b>Concessions to Special industries based on locations</b>			
	- Special industries established in very under developed areas	10% of the NR (for 10 yrs from the year of establishment)	-do-	-do-
	- Special industries established in under developed areas	20% of the NR (for 10 yrs from the year of establishment)	-do-	-do-
	- Special industries established in undeveloped areas	30% of the NR (for 10 yrs from the year of establishment)	-do-	-do-
<b>3.</b>	<b>Concessions to Special industries based on investment amount</b>			
	- Special industry with capital of Rs 1 billion and providing direct employment to more than 500 persons throughout the year	100% exemption for first five years from the date of operation of business and 50% concession for next 3 years	-do-	-do-
	- For those Entities in operation, if capital is increased to Rs 1 billion, Installed capacity is increased by 25% and provided employment is more than 500 persons throughout the year	100% concession for 5 years and 50% concession for next 3 years on income generated due to increased capacity	-do-	-do-
	- Industry related to tourism industry or international flight operation entity established with capital investment of more than Rs 2 billion	100% concession for 5 years from commencement of business and 50% concession for next 3 years	-do-	-do-
	- For those entities in operation, if capital is increased to Rs 2 billion and installed capacity is increased by 25%	100% concession for 5 years and 50% concession for next 3 years on income generated due to	-do-	-do-

# Income Tax Rates FY 2016-17

S.No.	Particulars	FY 2016/17	FY 2015/16	FY 2014/15
		increased capacity		
<b>4.</b>	<b>Concessions to industry established in special economic zone</b>			
	- Industry established in 'Special Economic Zone' recognized in mountain areas or hill areas by the GON	Up to 10 yrs 100% exempt and 50% rebate in subsequent years	-do-	-do-
	- Industry established in 'Special Economic Zone' other than above locations	100% exempt up to first 5 yrs and 50% rebate in subsequent years	-do-	-do-
	- Dividend distributed by the industry established in special economic zone	100% exempt for first 5 years and 50% rebate in subsequent 3	-do-	-do-
	- Income derived by the foreign investors from investment in 'Special Economic Zone' (Source of income-use of foreign technology, management service fee and royalty)	50% of applicable tax rate	-do-	-do-
	- On capitalization of accumulated profit through bonus share by Special Industry, Agro-based industry or industry related with tourism for expansion of capacity of industry	No dividend tax	-do-	NA
<b>5.</b>	<b>Concessions based on establishment in special area</b>			
	- Entity established in Technology park, Bio tech park and IT Park engaged in Software development or, data processing or, Cyber Café or, Digital Mapping	50% rebate on applicable tax rate	-do-	-do-
<b>6.</b>	<b>Concession related to hydropower project</b>			
	- Institution having license to generate, transmit or distribute electricity shall be provided concession if the commercial electricity generation, transmission or distribution commences before BS 2080 Chaitra End. (Provisions shall be applicable for electricity generated from solar, wind or organic material)	100% exempt up to 10 years and 50% rebate in subsequent 5 years	-do-	-do-
<b>7.</b>	<b>Concession to Petroleum Industry</b>			
	- If person involved in exploration and extraction of petroleum and natural gas starts commercial operation by BS 2075 Chaitra end.	100% exempt up to 7 years and 50% rebate in subsequent 3 years	-do-	-do-
<b>8.</b>	<b>Other Specific concessions</b>			
	- Income from export of manufactured goods by Manufacturing Industries	75% of NR	-do-	-do-
	- Income from construction and operation of Bridge, Airport and Tunnel and income from investment in tram and trolley bus	60% of applicable tax rate (20%)	-do-	-do-
	- Income of Manufacturing Industry, tourism service industry and hydropower generation, distribution and transmission industry listed in capital market and entities mentioned in section 11 (3 Ga)	<b>85% of applicable tax rate</b>	90% of applicable tax rate	-do-
	- Industry established in least developed areas producing brandy, wine, cider from fruits	40% exempt up to ten years	-do-	-do-
	- Royalty from export of intellectual asset by a person	25% exempt	-do-	-do-

# Income Tax Rates FY 2016-17

S.No.	Particulars	FY 2016/17	FY 2015/16	FY 2014/15
	- Income from sale of intellectual asset by a person through transfer	50% exempt	-do-	-do-

**Note:**

1. If any entity is entitled to more than one privilege U/S-11 only one will be entitled as opted by the entity.
2. "Special industry" refers to all the manufacturing industries as classified in section 3 of Industrial Enterprises Act, 2049 except the industry related to the manufacturing of cigarette, bidi, cigar, chewing tobacco, tobacco, gutkha, pan masala other products having main ingredient as tobacco, alcohol, beer and other such related products but includes agriculture, forestry and mineral industries.

# Income Tax Rates FY 2016-17

### 3. Special Provisions to those affected by Earthquake (Under Finance Act, 2015)

Particulars	Remarks
<b>Additional Repairs and Maintenance Expenses than limit of 7%</b>	The limit of 7% of Depreciable Base is not applicable till Fiscal Year 2073/74 on the repair and maintenance expenses incurred for damaged assets located at earthquake affected areas prescribed by GON, in case the person desires to apply this provision

### 4. Special Provisions introduced by Finance Act, 2016

Particulars	Remarks
<b>A. Waiver of fine, interest and penalty on default to filing Tax Return and its payment</b>	Waiver of fine, interest and penalty has been provided if tax payment and their return is made within 2073 Asoj in connection to following defaults: <ul style="list-style-type: none"> <li>■ Default in Income Tax Return filing &amp; tax payment for FY 2014/15;</li> <li>■ Default in Estimated tax return filing &amp; first installment payment for FY 2015/16;</li> <li>■ Default in tax payment and return filing from 2072 Shrawan to 2072 Falgun month for TDS, VAT, Excise Duty, Health Tax, Education tax, Chalchitra tax.</li> </ul>
<b>B. Demurrage, detention charge and parking expense of foreign land in connection to import</b>	In case of Import examined by Custom from the period 2072 Bhadra to 2072 Falgun but not cleared timely, their demurrage, detention charge and parking expense of foreign land have not been included in custom valuation and their cost are allowed as deduction in tax calculation of FY 2015/16 on basis of evidence of incurred expense.
<b>C. Tax waiver to Cooperative</b>	Saving and credit co-operative that are formed in FY 2014/15 and operating in municipality is exempt from Income tax for that fiscal year. If taxes are already paid, it can be set off with tax payable for FY 2015/16.
<b>D. Wavier from audit to Small and medium tax payer</b>	Small and medium tax payer, having annual turnover not exceeding Rs 10 Million, are waived from audit and they can self attest their Income tax return.
<b>E. Financial statement to be stored in Information centre</b>	Financial Statements of taxpayer having earning exceeding Rs 4 Million shall be stored in Information centre.

### 5. Allowable Donations

S. No.	Particulars	FY 2016/17	FY 2015/16
a.	To tax exempt organization	- Up to Rs 100,000 or 5% of adjusted taxable income whichever is lower	-do-
b.	For conservation or promotion of historical, religious or cultural heritage, or for construction of public sports infrastructure.	- On prior approval of department - Actual up to Rs 1 million or 10% of assessable income whichever is lower	-do-
C	Contribution to Prime Minister Relief Fund or <b>National Reconstruction Fund established by Nepal Government</b>	<b>Actual Amount of contribution</b>	-do-

### 6. Tax Payment

#### 6.1 Advance Tax to Normal taxpayer

S. No.	Particulars	Installment Amount
a.	Up to end of Poush	Remaining amount of 40% of estimated tax
b.	Up to end of Chaitra	Remaining amount of 70% of estimated tax
c.	Ashad End	Remaining amount of 100% of estimated tax

# Income Tax Rates FY 2016-17

## 6.2 Advance Tax to taxpayer based on turnover

S. No.	Particulars	Installment Amount
a.	Up to end of Poush	Tax at the rate specified on transaction up to 20 <sup>th</sup> Poush
b.	Up to end of Ashad	Remaining Amount of Tax calculated at the rate specified on estimated transaction amount at Ashad End based on actual transaction up to 20 <sup>th</sup> Ashad

*Note: It shall not be required to pay advance tax if tax payable is less than Rs 5,000.*

## 6.3 Rental tax payment

S. No.	Particulars	Remarks
a.	<b>Rental Tax by Natural Person</b>	
	<b>Tax applicable on house rent income of a natural person</b>	Tax applicable on house rent income of a natural person which is not related to the operation of business shall be payable within Ashad end of the particular Income Year
b.	<b>Rental Tax payable turnover basis</b>	
	<b>Tax withheld by the person paying tax based on turnover (U/S 44 (ka))*</b>	Payable at the time of payment of installment tax

\*This includes the resident natural person meeting the following criteria:

- Annual business over Rs 2 million and less than Rs 5 million
- Not registered in VAT
- Only Nepal source income from business in that FY
- Medical tax credit not claimed under Section 51
- Advance tax not claimed under Section 93
- Not having income arising from consultancy and specialist services such as of a doctor, engineer, auditor, lawyer, sportsperson, artist, consultant,

## 7. Taxation to Small Taxpayer

### 7.1 Presumptive Taxation

Particulars	FY 2016/17	FY 2015/16	FY 2014/15
<b>Vehicle Tax (shall be final tax for natural person)</b>			
Minibus, Mini Truck, Truck and Bus	Rs 3,000	-do-	Rs 1,500
Car, Jeep, Van, Micro Bus	Rs 2,400	-do-	Rs 1,200
Three Wheeler, Auto Rickshaw, Tempo	Rs 1,550	-do-	Rs 850
Tractor and Power Tiller	Rs 1,000	-do-	Rs 750
<b>Small Tax Payer having turnover not exceeding Rs 2 Million and taxable income not exceeding Rs 200,000**</b>			
Metropolitan, Sub-Metropolitan	Rs 5,000	-do-	Rs 5,000
Municipal Areas	Rs 2,500	-do-	Rs 2,500
Other than municipal areas	Rs 1,500	-do-	Rs 1,500

**Note:**

*Small taxpayer means natural person whose annual turnover is not more than Rs 2 million and income not exceeding Rs 200,000.*

**\*\* w.e.f. FY 2015/16 such taxpayers are not required to register with VAT.**



# Income Tax Rates FY 2016-17

## 8. Tax Withholdings

### 8.1 TDS withholding Rate

S. No.	Nature of Transaction	FY 2016/17	FY 2015/16	FY 2014/15
i	Interest income from deposit under 'Micro Finance Program', 'Rural Development Bank', 'Postal Saving Bank & Co-operative (u/s-11(2)) in rural areas is exempted from tax	Up to Rs 25,000	Up to Rs 25,000	Up to Rs 10,000
ii	Windfall gains	25%*	25%*	25%*
iii	Payment of rent made by resident person having source in Nepal	10%	-do-	-do-
iv	Payment for vehicle rent to VAT registered service provider	1.5%	-do-	-do-
v	Profit and gain from transaction of commodity future market	10%	-do-	-do-
vi	On returns to be distributed by Mutual Fund: - Natural person - Other than Natural Person	5% 15%	-do-	-do-
vii	On Dividend paid by the resident company <b>and partnership firm</b> - To Resident person - To Non-resident Person (Note: partnership firm inserted by Finance Act 2073)	5% for both	-do- (	-do-
viii	On payment of gain on investment insurance	5%	-do-	-do-
ix	On payment of gain from unapproved retirement fund	5%	-do-	-do-
x	On payment of interest or similar type having source in Nepal to natural person [not involved in any business activity] by Resident Bank, financial institutions or debenture issuing entity, or listed company	5%	-do-	-do-
xi	On payment of premium to non- resident insurance company	1.5%	-do-	-do-
xii	Contract payments exceeding Rs 50,000	1.5%	-do-	-do-
xiii	Payment of consultancy fee: - by resident person against VAT invoice - by resident person against Non-VAT invoice	1.5% 15%	-do- -do-	-do- -do-
xiv	Payment on contract to Non-Resident person - On repair of aircraft & other contract	5%	-do-	-do-
xv	Gain on disposal of Interests in any resident entity (listed) exchange amount is gain calculated under section 37) - To resident natural person - To others including nonresident Gain on disposal of Interests in any resident entity (unlisted) exchange (Taxable amount is gain calculated under section 37) - To resident natural person - To others including non resident	5% 10% 10% 15%	-do- -do- -do- -do-	-do- -do- -do- -do-
xvi	Gain on Disposal of land or land & building: - Owned by individual over 5 years - Owned by individual up to 5 years - <b>Owned by person other than individual</b>	2.5% 5% 10%	-do- -do- NA	-do- -do- NA
xvii	<b>On payment for use of Satellite, Bandwidth, Optical fibre, telecommunication equipments or electricity transmission by resident irrespective of its location</b>	10%	NA	NA

\* Windfall tax of 25% will be exempted for the reward up to Rs 500,000 received on behalf of contribution in the field of literature, art, culture, sports, journalism, science and technology and general administration

# Income Tax Rates FY 2016-17

## 8.2 TDS not applicable payments

S. No.	Nature of transaction	FY 2016/17	FY 2015/16	FY 2014/15
i	Payment made by natural person relating to business activity or other payments relating to house rental except house rent	No TDS	-do-	-do-
ii	Payment for articles published in Newspaper, question setting, answer evaluation	No TDS	-do-	-do-
iii	Interest payment to resident bank, other financial institutions	No TDS	-do-	-do-
iv	Interregional interchange fee paid to credit card issuing bank	No TDS	-do-	-do-
v	Interest or fees paid by GON under bilateral agreement	No TDS	-do-	-do-
vi	Tax Exempt payment or TDS deductible u/s 87	No TDS	-do-	-do-
vii	Dividend or interest paid to Mutual Fund/ Collective Investment Fund	No TDS	-do-	-do-

## 8.3 Final Withholding Payments

S. No.	Nature of transaction	FY 2016/17	FY 2015/16	FY 2014/15
i	On Dividend paid by the resident company <b>and Partnership firm</b> - To Resident person - To Non- resident Person <i>(Note: partnership firm inserted by Finance Act 2073)</i>	5% for both	-do-	-do-
ii	Payment of rent made to resident natural person having source in Nepal	10%	-do-	-do-
iii	On payment of gain in investment insurance by resident natural person	5%	-do-	-do-
iv	On payment of gain from unapproved retirement fund	5%	-do-	-do-
v	On payment of interest or similar type having source in Nepal to natural person [not involved in any business activity] by Resident Bank, financial institutions or debenture issuing entity, or listed company	5%	-do-	-do-
vi	Windfall gains	25%*	-do-	-do-

### Contact for further information

<p><b>T R Upadhyia &amp; Co. Chartered Accountants</b>                      124 Lal Colony Marg, Lal Durbar                      P. O. Box 4414                      Kathmandu, Nepal</p> <p>Phone: +977 1 4410927, 4420026                      Fax: +977 1 4413307                      Email: <a href="mailto:trunco@ntc.net.np">trunco@ntc.net.np</a></p>	<p><b>Shashi Satyal</b>                      Managing Partner  <a href="mailto:ssatyal@trunco.com.np">ssatyal@trunco.com.np</a></p> <p><b>Sanjeev Kumar Mishra</b>                      Partner  <a href="mailto:smishra@trunco.com.np">smishra@trunco.com.np</a></p> <p><b>Santosh Lamichhane</b>                      Director  <a href="mailto:santosh@trunco.com.np">santosh@trunco.com.np</a></p>
---	--