

# Income Tax Rates FY 2015-16

## 1. Personal tax

### 1.1 For Residents: Natural Person

Tax Banding	Tax Rates		
	2015-16	2014-15	2013-14
<b>Individual</b>			
(a) First Rs 250,000	1%*	1%*	1%*
(b) Next Rs 100,000	15%	15%	15%
(c) Next Rs 350,001 to 2,500,000	25%	25%	25%
(d) Balance Exceeding Rs 2,500,000	35%	35%	35%
<b>Couple</b>			
(a) First Rs 300,000	1%*	1%*	1%*
(b) Next Rs 100,000	15%	15%	15%
(c) Next Rs 400,001 to 2,500,000	25%	25%	25%
(d) Balance Exceeding Rs 2,500,000	35%	35%	35%

#### Note

A. Additional Deduction	Remarks
<b>Natural person working at remote areas Remote Area Allowance</b>	Additional deduction from taxable amount upto 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 NPR 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 40 Lakhs</b>	A natural person having taxable income exceeding Rs. 40 lakhs 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 %.

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## 1.2 For Non Residents

	Nature of Transaction	FY 2015/16	FY 2014/15	FY 2013/14
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, 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 2015/16	FY 2014/15
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 NPR 5 Million

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

Natural person engaged in	FY2015/16	2014/15	2013/14
a) Gas, Cigarette business doing transaction with 3% margin or commission	<b>0.5 % of Transaction amount</b>	NA	NA
b) Other person except those involved in business as above (a).	<b>1.5 % of Transaction</b>	NA	NA
c) Person engaged in service business except doctor, engineer, auditor, player, actor or consultants.	<b>2 % of Transaction amount</b>	NA	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.

## 1.5 Special Provisions for Unregistered Natural Person (Waiver of Fees & Interest)

In case natural person including doctors, artist, journalist, player, engineer, lawyer, auditor, consultant or service provider, retired or existing person holding public position, professor, teacher, submit income tax return pertaining to FY 2068/69, 2069/70, 2070/71 within Poush end 2072, fees and interest applicable on same shall be waived.

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## 2. Corporate tax

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

S.No.	Particulars	FY 2015/16	FY 2014/15	FY 2013/14
<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			

### 2.2 Tax Concessions and Rebate on Corporate Tax

S.No.	Particulars	FY 2015/16	FY 2014/15	FY 2013/14
<b>1.</b>	<b>Concessions based on employment provided</b>			
	Providing direct employment to Nepalese citizens throughout the year: - for 300 or more by Special industries and information technology industries - for 1200 or more by Special industries - to more than 100 Nepalese including 33% women, dalit & disabled by Special industries	90% of normal rate (NR) 80% of NR 80% of NR	-do-	-do-
	- <b>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</b>	<b>70 % of Normal Rate</b>	NA	NA

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S.No.	Particulars	FY 2015/16	FY 2014/15	FY 2013/14
<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-	NA
	- 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-	NA
	- 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-	NA
	- 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 increased capacity	-do-	NA
<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-

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S.No.	Particulars	FY 2015/16	FY 2014/15	FY 2013/14
	- 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-
	- <b>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</b>	<b>No dividend tax</b>	NA	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 <b>**2080 Chaitra End</b> . (Provisions shall be applicable for electricity generated from solar, wind or organic material) <b># (Construction started from 2071 Bhadra 7 and generation by Chaitra end 2080)</b> <b>## Generation by 2075 Chaitra End</b>	100% exempt up to 10 years and 50% rebate in subsequent 5 years	-do- #	-do- ##
<b>7.</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)	90% of applicable tax rate	-do-	-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 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 except the industry related to the manufacturing of cigarette, bidi, cigar, chewing tobacco, tobacco, other products having main ingredient as tobacco, alcohol, beer and other such related products.

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## 3. Income from investment

Particulars	FY 2015/16	FY 2014/15	FY 2013/14
<b>Individual</b>			
Tax withholding on capital gain for natural person on transaction exceeding Rs 3 million (to be made by Land revenue office at the time of registration):	2.5%	2.5%	
- Disposal of land or land & building owned for more than 5 years	5%	5%	-do-
- Disposal of land or land & building owned for less than 5 years			-do-
Gain from disposal of securities listed in stock exchange	5 %	5 %	-do-
<b>Corporate</b>			
Income from disposal of non-business chargeable assets (Capital gain)	Included in income	Included in income	-do-

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

A. Additional Deduction of Repairs and Maintenance	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
B. Waiver of Income Tax and Rental Tax	
<b>Small Tax payers submitting Estimated Tax return</b>	Waiver of Income tax and rent tax applicable for FY 2014/15, shall be waived for Small Tax Payers submitting estimated tax return, who have received relief due to complete damage of business and certified by District Natural Calamities Response Committee.  Further, license fee for renewal of excise duty for FY 2015/16 shall be waived.

## 5. Allowable Donations

S. No.	Particulars	FY 2015/16	FY 2014/15
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 upto 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>	NA

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## 6. Tax Payment

### 6.1 Advance Tax to Normal taxpayer

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

### 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 upto Poush 20
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 upto Ashad 20

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

### 6.3 Rental tax payment

A. Rental Tax by Natural Person	Remarks
Tax applicable on house rent of a natural person	Tax applicable on house rent 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. Rental Tax payable turnover basis	
the tax withheld by the person paying tax based on turnover ( U/S 4 4 (ka)	Payable at the time of payment of installment tax by such

## 7. Taxation to Small Taxpayer

### 7.1 Presumptive Taxation

Particulars	FY2015/16	FY2014/15	FY 2013/14
<b>VehicleTax (shall be final tax for natural person)</b>			
Minibus, Mini Truck, Truck and Bus	<b>Rs 3,000</b>	Rs 1,500	-do-
Car, Jeep, Van, MicroBus	<b>Rs 2,400</b>	Rs 1,200	-do-
Three Wheeler, Auto Rickshaw, Tempo	<b>Rs 1,550</b>	Rs 850	-do-
Tractor and Power Tiller	<b>Rs 1,000</b>	Rs 750	-do-
<b>Small Tax Payer having turnover not exceeding Rs 2 Million and taxable income not exceeding Rs 200,000 **</b>			
Metropolitan, Sub-Metropolitan	<b>Rs 5,000</b>	Rs 5,000	Rs 3,500
Municipal Areas	<b>Rs 2,500</b>	Rs 2,500	Rs 2,000
Other thanmunicipal areas	<b>Rs 1,500</b>	Rs 1,500	Rs 1,250

**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 taxpayer should not be registered in VAT.

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## 8. Tax Withholdings

### 8.1 TDS withholding Rate

S. No.	Nature of Transaction	FY 2015/16	FY 2014/15	FY 2013/14
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	<b>Payment for vehicle rent to VAT registered service provider</b>	<b>1.5%</b>	NA	NA
v	Profit and gain from transaction of commodity future market	10%	do	do
vi	On returns to be distributed to Natural person by Mutual Fund	5%	do	do
vii	On Dividend paid by the resident entity - To Resident person - To Non-resident Person	<b>5% for both</b>	do	do
viii	On payment of gain in 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 Rs50,000	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 section37		do	do
	- To resident natural person	5%		
	- To others including nonresident	10%	do	do
	Gain on disposal of Interests in any resident entity (unlisted) exchange(Taxable amount is gain calculated under section 37)			
- To resident natural person	10%	do	do	
- To others including non resident	15%	do	do	

\*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

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## 8.2 TDS not applicable payments

S. No.	Nature of transaction	FY2015/16	FY 2014/15	FY 2013/14
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 2015/16	FY 2014/15	FY 2013/14
i	On Dividend paid by the resident entity. To Resident person To Non- resident Person	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%*	25%*	25%

### Contact for further information

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