

## LEGAL UPDATE

## Finance Bill 2083-2084 (2026-2027)

# Key Changes in Taxes and Legal Implications for Businesses in Nepal

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Nepal's Finance Bill, 2082-2083 (2026-27) introduces significant changes across income tax, VAT, and sector-specific fiscal levies. This legal update sets out the principal tax provisions introduced by the Finance Bill, including new taxes and charges, revised rates, capital gains amendments, sector-specific incentives, and tax amnesty and settlement schemes, to help businesses and taxpayers understand and plan for their compliance obligations.

## Background

1. On 29 May 2026 (Jestha 15, 2083 B.S.), the Finance Minister, Dr. Swarnim Wagle, presented an annual budget of the Federal Government of Nepal for Fiscal Year 2083/84 (2026–27 AD) along with the Finance Bill, 2083 (2026) (the “**Finance Bill**”).
2. The Finance Bill has introduced and revised several tax headings, tax relief schemes and tax settlement/amnesty provisions. It has also made amendments to major tax laws of Nepal, including the Income Tax Act, 2058 (2002) (the “**Income Tax Act**”), Value Added Tax Act, 2052 (1996)(the “**VAT Act**”), Excise Act, 2058 (2002) (the “**Excise Act**”) and Custom Act, 2082 (2025) (the “**Customs Act**”).
3. A notable feature of the Finance Bill is that, in addition to the regular income tax, VAT, excise duty and customs duty, several new sector-specific fiscal levies have been introduced under different names such as fees, charges, royalties and special taxes. Although some of these levies are not described as “tax” in name, they operate as additional fiscal obligations on specific transactions, sectors and services, including digital services, luxury services, education, health, gold and silver transactions, electric vehicles, telecommunications, petroleum products and casinos.
4. The Finance Bill is fully effective after it is passed from both the houses of Federal Parliament, is certified by the President and published in the Nepal Gazette. However, some of the provisions listed in the section 1(2) of the Finance Bill are effective immediately (i.e., from May 29, 2026) while the remaining provisions become effective from 17 July 2026 (Shrawan 1, 2083). Please refer to Annexure I for a complete list of these sections.
5. This update sets out the main tax provisions introduced by the Finance Bill, including new taxes and charges, revised rates, sector-specific incentives, procedural changes, and tax amnesty and settlement schemes. This update does not cover the changes made in terms of Customs Act and Excise Act, which will be covered separately in a different update. Please note that *this update is based on the Finance Bill as available on the website of the Ministry of Finance on 03 June 2026.*

### A. New and Revised Tax Headings

6. The Finance Bill has introduced several new sector-specific taxes, fees and charges which were not present under the previous Financial Acts such as Internal Production Protection and Promotion Fee, Clean Infrastructure Investment Fee, Skill Promotion Fee, Health Equality Fee, Education Equality Fee etc. while giving continuity to other fees such as Green Tax. These provisions apply in addition to regular income tax, value added tax (VAT), excise duty

or customs duty, as applicable. Such changes are summarised below and are also listed in Annexure II as follows:

- a. Green Tax :** Under Section 9 read with Schedule 1 of the Finance Bill, green tax is imposed on specified imported goods. These include coal and coal-based solid fuels, petroleum oils and petroleum residues, asbestos and friction materials, electric accumulators/batteries, vacuum cleaners, vehicle ignition and lighting equipment's etc. Further, under the special petroleum-related provision, petrol and diesel imports are subject to Rs 10 per litre green tax. Green Tax under Section 9 applies immediately (May 29, 2026) and is collected at the customs point by the customs authority on enlisted imported goods.
- b. Internal Production Protection and Promotion Fee:** Under Section 10 and Schedule 2 of the Finance Bill, specified imported goods are subject to internal production protection and promotion fee at the customs point. These goods include: *dairy products, coffee and tea, spices, vegetable and natural products, wood and wood products, footwear, stone and construction materials etc.* This is intended to protect and promote domestic production. However, the Finance Bill is silent on how the funds collected from such fees will be utilized. Internal Production Protection and Promotion Fee under Section 10 applies immediately (May 29, 2026) and is collected at the customs point by the customs authority on specified imported goods.
- c. Clean Infrastructure Investment Fee :** Under Section 11 read with Schedule 3 of the Finance Bill, electric vehicles and electric transport vehicles imported or produced in Nepal are subject to clean infrastructure investment fee with varying rates. These goods include: *electric passenger vehicles, electric motor cars, unassembled electric vehicles, electric buses, electric vans, electric goods vehicles, electric three-wheelers, electric delivery vans, electric pick-up vehicles, electric lorries, trucks, tippers and dumpers, electric container trucks, electric garbage collection vehicles, electric tankers, electric motorcycles, electric scooters and other electric two-wheelers.* For specified electric motor cars, under HS code 8703.80.91 and 8703.80.99, special value-based rates apply as follows:

<b>Customs Transaction Value (Electric Vehicles 8703.80.91; 8703.80.99)</b>	<b>Rate</b>
Up to NPR 2 million	2.5% only
Above NPR 3 million and up to NPR 4 million	Additional 15%
Above NPR 4 million and up to NPR 5 million	Additional 70%

Above NPR 5 million

Additional 110%

*The Schedule further provides that, where a transaction value has been determined for customs duty purposes, the Clean Infrastructure Investment Fee shall be calculated by including the customs duty in such transaction value. Clean Infrastructure Investment Fee applies immediately (May 29, 2026) and is administered by the customs office for imported electric vehicles and by the vehicle registration office for domestically produced or previously imported but unregistered vehicles. However, the Finance Bill is silent on how the funds collected from such fees will be utilized.*

- d. Luxury Fee :** The Finance Bill imposes luxury fee at the rate of 2% on the following: (a) services provided by five-star and above hotels and luxury resorts, based on the sale value of services; and (b) import of ready-made liquor, based on value including customs duty and excise duty. Previously, luxury fee also applied to the sale of gold and gold ornaments which has now been discontinued. The collected amount must be deposited by the 25<sup>th</sup> day of the following month (Bikram Sambat calendar). Late deposit attracts 15% annual interest. Failure to file the required return attracts 0.05% per day or NPR 1,000 per return, whichever is higher. Failure to collect luxury fee attracts 25% fee. Luxury Fee under Section 13 applies from 17 July 2026 (Shrawan 1, 2083) and is administered by the Inland Revenue Department.
- e. Skill Promotion Fee :** Under Section 14 read with Schedule 6, sale of gold, silver and ornaments/goods made from them to final consumers is subject to 0.5% skill promotion fee. Non-deposit attracts 15% annual interest. Non-filing attracts 0.05% per day or NPR 1,000 per return, whichever is higher, and non-collection attracts 25% fee. Skill Promotion Fee under Section 14 applies from 17 July 2026 (Shrawan 1, 2083) and is administered by the Inland Revenue Department. However, the Finance Bill is silent on how the funds collected from such fees will be utilized.
- f. Education Equality Fee :** Private educational institutions must collect education equality fee at the rate of 3% on all types of fees collected from students. This applies to private sector universities, colleges, schools, technical educational institutions and other private education providers, except institutions providing training and refresher training. Public educational trusts are exempt. The fee must be collected through invoice and deposited on a four-monthly basis within 25 days after the end of each four-month period. Late deposit attracts 15% annual interest. Failure to file the return attracts NPR 1,000 per return. Evasion may attract a penalty of 25% of the determined fee. Education Equality Fee under Section 16 applies from 17 July 2026 (Shrawan 1,

2083) and is administered through the Inland Revenue Department. The funds collected from such fees will be used for access to quality education and development of educational infrastructure.

- g. Health Equality Fee :** Private health service providers must collect health equality fee at the rate of 3% on all types of service charges collected from patients. The fee must be collected through invoice and deposited on a four-monthly basis within 25 days after the end of each four-month period. Late deposit attracts 15% annual interest. Failure to file the return attracts NPR 1,000 per return. Evasion may attract a penalty of 25% of the determined fee. Health Equality Fee under Section 17 applies from 17 July 2026 (Shrawan 1, 2083) and is administered through the Inland Revenue Department. The funds collected from such fees will be used for access to quality health services and development of health infrastructure.
- h. Casino Royalty :** Casino operators must pay annual royalty as follows: (a) NPR 55 million per year for casino operation (previously NPR 30 million per year); and (b) NPR 30 million per year for games operated only through modern machines or equipment (previously NPR 15 million per year). The royalty must be deposited in instalments: 40% by Poush end, 70% by Chaitra end, and the balance by Ashad end. Late payment attracts 15% additional fee for up to three months and 30% annual additional fee thereafter. Casino Royalty under Section 22 applies from 2083 Shrawan 1 and is administered by the Department of Tourism.
- i. Legal Remedies Clarified for Specific Tax and Fee Assessments :** The Finance Bill provides clearer legal remedies for challenging assessment decisions under certain special tax and fee headings. In particular, assessment decisions relating to *Luxury Fee, Skill Promotion Fee, Education Equality Fee, Health Equality Fee, and Health Risk Tax* may be challenged through an administrative review before the Director General of the Inland Revenue Department within 30 days from receipt of the assessment order. Where the administrative review is not decided within the prescribed period, or where the taxpayer is dissatisfied with the decision, an appeal may be filed before the Revenue Tribunal within 35 days. The Bill also requires the taxpayer to deposit the undisputed amount and, generally, 25% of the disputed amount while pursuing the administrative review. The Finance Bill also provides a specific appellate remedy for *Movie Development Fee*, under which a decision made under the relevant Schedule may be appealed before the *Revenue Tribunal within 35 days*. This is a welcome clarification because these special tax and fee headings are created under the annual Finance Bill itself, and legal recourse was not always expressly provided in the charging provision.

- j.** However, the Finance Bill still does not provide a uniform appeal mechanism for all special taxes and charges. For example, the Bill does not expressly provide a similar administrative review or Revenue Tribunal appeal mechanism for Digital Service Tax, Foreign Employment Service Fee, Pollution Control Fee, Telephone Ownership Fee, Telecommunication Service Charge, Green Tax, Internal Production Protection and Promotion Fee, Clean Infrastructure Investment Fee, Road Construction Fee, Education Service Fee, and Casino Royalty. In such cases, taxpayers may need to rely on the relevant parent legislation, general administrative law principles, or constitutional/writ remedies, depending on the nature of the dispute.

## **B. Special Provisions for Waiver, Settlement and Withdrawal of Tax Cases**

7. The amnesty and settlement provisions under the Finance Bill, 2083 are broader and more settlement-oriented than the schemes provided in many previous Finance Acts.
8. The current Bill also extends settlement facilities to assessed tax dues, pending administrative review and court cases, customs post-clearance audit matters, annual Finance Act-based dues, dormant company compliance, and even pending income tax and VAT cases under the Revenue Leakage (Investigation and Control) Act, 2052.
9. The inclusion of revenue leakage cases is particularly notable, as it appears to provide a transitional settlement route in line with the Government's broader policy direction to repeal the existing revenue leakage framework under the Revenue Leakage (Investigation and Control) Act, 2052. These provisions are commercially significant as they allow taxpayers to regularise past non-compliance, settle pending dues and withdraw tax disputes by paying the principal amount and fulfilling the prescribed conditions, as set out below and also listed concisely in Annexure III.

### **a. Waiver of Old Sales Tax, Entertainment Tax, Hotel Tax, Contract Tax and Old Income Tax Arrears**

#### **Who is covered?**

Taxpayers with old arrears relating to sales tax, hotel tax, entertainment tax, contract tax, old excise duty, or old income tax assessed under the Income Tax Act, 2031.

#### **What is waived?**

Old arrears of taxes that were replaced by VAT are waived. Old income tax arrears may also be written off where the taxpayer does not have PAN and is no longer involved in income-earning activity.

#### **How does it work?**

This is largely a clean-up provision for old and inactive tax records. It allows the tax administration to remove old arrears that are no longer practically recoverable.

**b. Waiver on Gold, Silver, Diamond and Jewellery Transactions****Who is covered?**

Sellers of gold, silver, gold ornaments, silver ornaments, diamonds, gems, precious stones, utensils, idols and similar goods.

**What is waived?**

If luxury fee or VAT was legally applicable in the past but was not collected by the seller, such amount, including applicable interest, additional fee and penalty, is waived.

**When does it apply?**

It applies to specified past transactions, including transactions before Bhadra 2, 2082 (corresponding to August 18, 2025 A.D.) and FY 2082/83 (2025/26) or earlier, depending on the nature of the transaction.

**c. Customs Post-Clearance Audit Settlement****Who is covered?**

Importers whose customs duty, excise duty or VAT was determined through post-clearance audit by Baisakh end 2083 (corresponding to May 14, 2026) and remains unpaid, or whose post-clearance audit dispute is pending before the Revenue Tribunal or any court.

**What is the benefit?**

Penalty and interest are waived.

**When is the deadline?**

The importer must pay the full determined customs duty, excise duty and VAT by Poush end 2083 (corresponding to January 14, 2027).

**How does it work?**

If no case is pending, the importer pays the full determined tax/duty amount. If a case is pending at the Revenue Tribunal or any court, the importer must withdraw the case and pay the full determined amount. Upon payment, penalty and interest up to the date of application for this facility are waived.

**d. Income Tax Amnesty for Persons without PAN****Who is covered?**

Persons who earned taxable income in the past without obtaining PAN and did not file income tax returns or pay income tax.

**What is the benefit?**

Fees and interest are waived. Income returns, tax, fees and interest for years before FY 2079/80 are not required.

**When is the deadline?**

Poush end 2083 (corresponding to January 14, 2027).

**How does it work?**

The person must obtain PAN, file income tax returns for FY 2079/80 to FY 2082/83, and pay the applicable tax within the deadline. This is a broad regularisation facility for persons who were outside the tax net.

**e. Amnesty for PAN Holders with No Income or No Business****Who is covered?**

Persons who already obtained PAN but had no income or business and did not file income returns for FY 2081/82 or earlier.

**What is the benefit?**

Earlier income returns are not required.

**When is the deadline?**

Push end 2083 (corresponding to January 14, 2027)

**How does it work?**

The taxpayer may either cancel registration or become active by filing the FY 2082/83 return and paying applicable tax. If no application is filed within the deadline, PAN may be automatically cancelled. If the taxpayer later wants to reactivate or resume business, the taxpayer must file returns and pay tax, fee and interest up to that period.

**f. Amnesty for PAN Holders with Pending Income Tax and Returns****Who is covered?**

PAN holders who earned income but have pending income tax returns and unpaid tax.

**What is the benefit?**

Applicable fee and interest are waived.

**When is the deadline?**

Push end 2083 (corresponding to January 14, 2027).

**How does it work?**

The taxpayer must file the pending income return and pay the tax plus an additional 1% amount within the deadline.

**g. VAT Amnesty****Who is covered?**

VAT-registered persons who carried out taxable transactions but either failed to collect/deposit VAT or failed to file VAT returns.

**What is the benefit?**

Interest, additional fee and penalty are waived.

**When is the deadline?**

Push end 2083 (corresponding to January 14, 2027).

**How does it work?**

The taxpayer must file VAT returns up to Chaitra 2082 and pay the VAT amount plus an additional 1% amount.

**h. VAT Waiver on Paneer**

VAT on past sale of paneer made from milk, where VAT was not collected and remains unpaid, has been waived.

**i. Excise Duty Amnesty****Who is covered?**

Persons who carried out excisable transactions, whether licensed or unlicensed, but failed to collect or pay excise duty. It also covers excise licence holders who failed to renew their licence.

**What is the benefit?**

Delay fee and penalty are waived. In case of licence renewal, renewal fee and penalty for earlier years are waived.

**When is the deadline?**

For excise duty payment, Poush end 2083 (corresponding to January 14, 2027). For renewal of excise licence, Ashoj end 2083 (corresponding to October 17, 2026).

**How does it work?**

The taxpayer must submit the required excise return and pay the excise duty plus an additional 1% amount. Licence holders must pay the renewal fee for FY 2082/83 within the deadline. If the licence is not renewed within time, it will be automatically cancelled.

**j. Filed Returns but Unpaid Tax****Who is covered?**

Taxpayers who have already filed VAT returns, income tax returns or excise returns but have not paid the declared VAT, income tax or excise amount.

**What is the benefit?**

Fee, additional fee, penalty, interest and late fee are waived.

**When is the deadline?**

Poush end 2083 (corresponding to January 14, 2027).

**How does it work?**

The taxpayer must pay the unpaid amount outstanding up to Jestha 15, 2083, plus an additional 1% amount.

**k. Settlement of Tax Created by Assessment or Revised Assessment****Who is covered?**

Taxpayers whose VAT, income tax or excise duty has been assessed or reassessed by the Inland Revenue Department or its offices by Jestha 15, 2083 and remains unpaid.

**What is the benefit?**

Fee, additional fee, penalty, remaining interest and late fee are waived.

**When is the deadline?**

Poush end 2083 (corresponding to January 14, 2027).

**How does it work?**

The taxpayer must pay the assessed VAT, income tax or excise duty plus an additional 1% amount.

**Who is excluded?**

This facility does not apply to persons engaged in the business of providing telecommunication services.

**l. Withdrawal and Settlement of Pending Tax Cases****Who is covered?**

Taxpayers with pending disputes relating to VAT, income tax or excise assessment or reassessment made by the Inland Revenue Department or its offices by Jestha 15, 2083.

**What kinds of cases are covered?**

The facility covers cases pending before the Inland Revenue Department through administrative review, Revenue Tribunal, courts or other judicial bodies. It also covers cases where the Inland Revenue Department or tax office has filed or obtained permission to file appeal or review before the Supreme Court.

**What is the benefit?**

Fee, additional fee, penalty, interest and late fee are waived. The case may be withdrawn and settled.

**When is the deadline?**

Poush end 2083 (corresponding to January 14, 2027).

**How does it work?**

The taxpayer must withdraw the case, pay the disputed tax amount plus an additional 1% amount, and apply to the relevant office within the deadline.

**Who is excluded?**

This facility does not apply to persons engaged in the business of providing telecommunication services.

**m. UN, International Organisation and Diplomatic Mission Employees**

**Who is covered?**

Resident persons working with UN offices, international organisations or diplomatic missions in Nepal who are not entitled to exemption under the Vienna Convention and have not filed income tax returns on remuneration or service fee received from such institutions.

**What is the benefit?**

Interest and fee are waived. Returns and tax for earlier years are not required.

**When is the deadline?**

Mangsir end 2083 (corresponding to December 15, 2026).

**How does it work?**

The person must obtain PAN, file income returns for FY 2079/80 to FY 2082/83, and pay income tax plus an additional 1% amount.

**n. Companies Act Compliance and Fee Waiver****Who is covered?**

Companies registered under the Companies Act, 2063 that failed to submit returns, renew registration or pay applicable tax, fee, charge, interest or penalty.

**What is the benefit?**

All earlier tax; fee, charge, interest and penalty are waived.

**When is the deadline?**

Ashoj end 2083 (corresponding to October 17, 2083).

**How does it work?**

The company must submit the required tax, fee, charge and returns for FY 2082/83. The company may either continue business or proceed with cancellation of registration.

**Why is this important?**

This is useful for inactive, non-compliant or dormant companies that want to regularise or close their registration.

**o. Annual Finance Bill-Based Dues****Who is covered?**

Persons liable to pay tax, fee or duty under annual Finance Acts but who failed to pay, underpaid or failed to submit required details.

**What is the benefit?**

Penalty, interest and fee are waived.

**When is the deadline?**

Mangsir end 2083 (corresponding to December 15, 2083).

**How does it work?**

The person must pay the pending tax, fee or duty plus an additional 1% amount and submit the required details. If the amount has already been assessed or a case is

pending before a court or judicial body, the person may withdraw the case and pay the assessed amount plus 1%.

**p. Revenue Leakage Cases**

**Who is covered?**

Persons facing pending income tax or VAT cases filed under the Revenue Leakage (Investigation and Control) Act, 2052.

**What is the benefit?**

Fine may be waived and the Government may withdraw the case

**When is the deadline?**

Poush end 2083 (corresponding to January 14, 2027).

**How does it work?**

The concerned person must pay the determined amount or bigo plus an additional 1% amount and apply to the concerned office. Please note that the Finance Bill does not explicitly define the scope of bigo, such as whether the bigo is the amount specified in the Chargesheet, or as defined by the Court in its judgment.

### **C. Major Amendments to Income Tax Act, 2058**

10. The Finance Bill has introduced couple of amendments to the Income Tax Act, 2058. These changes affect corporate taxpayers, individual taxpayers, digital and IT-sector employees, related-party transactions, capital gains, insurance agents, ride-sharing platforms, tax assessment, refunds and electronic invoicing, as iterated herein and also enlisted in Annexure-IV.

**a. International Transaction and Transfer Pricing Rules Expanded :** The Finance Bill introduces the definition of “international transaction”. It covers transactions in goods, services, finance or intangible assets where at least one party is a non-resident. It also includes other transactions affecting income, expenses, assets or liabilities. The Finance Bill also expands the associated-person concept for transfer pricing purposes. For Sections 33, 33A and 33B, the following relationships are relevant:

- i. control or benefit of 30% or more in income, capital or voting power;
- ii. loan exposure where the lender’s loan equals at least 50% of the borrower’s total assets;
- iii. substantial or complete dependence on another person’s intellectual property, technical knowledge or commercial rights; and
- iv. supply of 90% or more of raw materials or consumables required by another person.

**b. Sweat Shares in IT Sector Excluded from Remuneration Income :** The Finance Bill amends Section 8 of the Income Tax Act. The value of sweat shares received as remuneration by a person employed in the information technology industry is excluded from taxable remuneration income.

- c. *New Exempt Income Categories* :** The Finance Bill expands exempt income under Section 10 of the Income Tax Act. The following income categories are added:
- i. income from free transfer of land or private building by a natural person to the Government of Nepal, provincial government or local level;
  - ii. interest income of a non-profit financial institution fully owned by a foreign government from loan investment in Nepal;
  - iii. income earned by drinking water and sanitation consumer institutions registered under the Water Resources Act, 2049 for their objectives; and
  - iv. income earned by universities established and operating in Nepal for their objectives.
- d. *Donation Deduction Limit Increased* :** The Finance Bill amends Section 12 of the Income Tax Act by increasing the deductible donation threshold from NPR 100,000 to NPR 300,000.
- e. *CSR Expenditure Deduction Introduced* :** A new Section 12D has been inserted in the Income Tax Act, 2058 to expressly allow deduction of expenses incurred for corporate social responsibility under the prevailing law. This appears to bring clarity and consistency with Section 54 of the Industrial Enterprises Act, 2076, which requires applicable industries to set aside at least 1% of their annual net profits for CSR activities and allows such amount to be deducted for income tax purposes.
- f. *Cash Payment Deduction Threshold Tightened* :** The Finance Bill amends Section 21 of the Income Tax Act. Previously, the cash payment disallowance rule applied to a person with annual turnover exceeding NPR 2 million, and the relevant cash payment threshold was NPR 50,000 per transaction. The rule now applies to any person, and the cash payment threshold is reduced to NPR 25,000 per transaction, except in specified cases.
- g. *Safe Harbour Rule Introduced* :** A new Section 33A introduces a safe harbour rule for controlled transactions. A taxpayer with annual transaction up to NPR 1 billion may opt for the safe harbour rule if it satisfies the prescribed conditions. If the taxpayer opts for safe harbour and files income return accordingly, the Inland Revenue Department will accept the transfer price as arm's length price. The conditions include: (a) for export of information technology services, at least 15% operating profit margin on operating cost; (b) for foreign-currency intra-group loan, interest rate at the prescribed reference rate plus 200 to 400 basis points; or (c) for low value-added services prescribed by the Department, profit mark-up up to 5% of total cost. Once the safe harbour option is selected, it applies for five income years, unless there is material change in the nature and circumstances of the transaction.

- h. Advance Pricing Agreement Introduced:** A new Section 33B allows the Inland Revenue Department to enter into advance pricing agreements for determining the arm's length price of international related-party transactions. The agreement may be: (a) unilateral; (b) bilateral; or (c) multilateral, where applicable under a double taxation avoidance agreement and mutual agreement procedure. The agreement may remain valid for up to five income years. It may also include rollback for up to four immediately preceding income years. This is important for multinational groups and taxpayers with recurring international related-party transactions.
- i. Section 57 Change-in-Control Rule Relaxed in Specified Cases :** The Finance Bill replaces the proviso to Section 57(1) of the Income Tax Act. Section 57 will not apply in the following situations:
- i. where capital is increased in a start-up, venture capital or private equity fund, while the existing shareholders' or partners' share number and capital remain unchanged and new shareholders or partners are added;
  - ii. where interest in an entity is involuntarily transferred to legal heirs due to the death of the beneficial owner; and
  - iii. where ownership of a resident entity changes and, because of that, ownership of another resident entity in which the first entity holds interest also changes.
- j. Departmental Interpretation :** The Finance Bill inserts a provision under Section 75 of the Income Tax Act stating that interpretation issued by the Department through Public Circulars under that section will be final.
- k. Wider Power to Obtain Electronic Information :** A new Section 82A is inserted. The Department may obtain, through electronic means and subject to prevailing law, information or details relating to financial transactions of any person located in Nepal. This includes information or records held by the person, customers, employees, service recipients, members or any other person maintaining data, information or records relating to the financial transactions of that person. Previously, the Department's information collection powers existed, but this specific electronic information access provision was not framed in this manner. This is a major tax administration and data-compliance change.
- l. Withholding Tax on Insurance Agents :** The Finance Bill amends Section 88 of the Income Tax Act. Service fee or commission paid to a resident natural person insurance agent is subject to withholding tax at the rate of 20%. This directly affects insurance companies, insurance intermediaries and individual insurance agents.

**m. Final Withholding Treatment for Certain Capital Gains, Foreign Currency Payments and Insurance Agent Commission :**

The Finance Bill, 2083 has amended Section 92(1) of the Income Tax Act, 2058 by inserting new clauses after the existing clause. The effect of this amendment is to treat certain gains and payments as final withholding payments. Previously, there was possible ambiguity as to whether tax collected under certain provisions of Section 95A would be treated only as advance tax or as final tax for the recipient. The amendment now clarifies that the following payments/gains will be treated as final withholding payments:

- i. gains under Section 95A(2) (*Gains derived from Disposal of Securities in a Resident Entity*) and Section 95A(5) (*Gains from disposal of land or private building*), in the case of resident natural persons who do not wish to file income returns and non-resident persons;
- ii. foreign currency payments covered under Section 95A(6B), 95A(6C) and 95A(6D);
- iii. service payments covered under Section 95A(6E); and
- iv. service fee or commission paid to resident natural person insurance agents.

**n.** However, the drafting of this amendment may create practical uncertainty in the case of resident natural persons. In particular, a natural person having annual income exceeding NPR 4 million is required to file income tax return. Further, in practice, natural persons are also required to file income tax return for obtaining tax clearance certificate. In such cases, the taxpayer may not practically fall within the category of a resident natural person who “does not wish to file income return”. Therefore, while the amendment seeks to clarify final withholding treatment, it does not clearly address cases where return filing is mandatory or practically necessary. The provision may therefore require further clarification from the Inland Revenue Department or through subsequent legislative amendment.

**o. Capital Gains and Advance Tax under Section 95A :** The Finance Bill has amended Section 95A of the Income Tax Act, 2058, which deals with collection of advance tax on certain gains and transactions, including gains from disposal of securities and gains from disposal of land or private buildings. Under Section 95A(2), advance tax is collected on gains derived from disposal of interest in a resident entity, including securities of an entity listed with the Securities Board of Nepal. In case of disposal of interest in a listed entity by a resident natural person, the applicable rates have been increased as follows:

Duration	Previous Rate	Revised Rate
<b>Where the securities were held for more than 365 days</b>	5%	7.5%
<b>Where the securities were held for 365 days or less</b>	7.5%	10%

- p. Under section 95A(5), advance tax is collected on gains earned by a natural person from disposal of land or private building. The Finance Bill also increases the rates applicable to disposal of land or private building by a natural person as follows:

Duration	Previous Rate	Updated Rate
<b>Where the disposed non-business taxable has ownership of five years or more</b>	5%	7.5%
<b>Where the disposed non-business taxable has ownership of less than five years</b>	7.5%	10%

- q. Please note that the advance tax collected on gains under Section 95A(2) and Section 95A(5) will be treated as final withholding payments for: (a) resident natural persons who do not wish to file income returns; and (b) non-resident persons. Please refer to paragraph 19 for further information.

**r. *Special rate for compulsory acquisition of land/building by Government decision :***

The Finance Bill inserts a new clause under Section 95A(5) for cases where land or building owned by a natural person is compulsorily acquired due to a decision of the Government of Nepal. In such cases, where the non-business taxable asset, i.e., land or building, is involuntarily disposed of because of Government acquisition, the applicable capital gains advance tax rate is 2.5%. This is a special concessional rate compared to the increased ordinary rates of 7.5% and 10%.

**s. *No capital gains tax collection on free transfer of land/private building to Government :***

The Finance Bill inserts a new Section 95A(5A). Under this provision, where a natural person provides land or a private building owned by him/her free of cost to the Government of Nepal, provincial government or local level, capital gains tax is not required to be collected on such disposal.

**t. *Advance Tax on Ride-Sharing Platform Payments :***

A new provision inserted in section 95A(6F) of the Income Tax Act requires resident ride-sharing platform operators to collect 1% advance tax on amounts paid to natural persons providing services through their platform.

**u. *Tax Assessment Period Reduced :***

The ordinary tax assessment period under Section 101(3) is reduced. Previously, tax assessment could be made within 4 years. Now, it has been reduced to 3 years. This may reduce ordinary audit exposure, subject to exceptions under the Income Tax Act.

- v. Refund Period Increased :** The refund-related period under Section 113(4) is increased. Refund-related claim period was 2 years. Now, it has been increased to 5 years. This is beneficial for taxpayers with overpaid tax or refundable tax amounts.
- w. Penalty for E-Invoicing Software Non-Compliance :**Section 119A is replaced. If a taxpayer issuing electronic invoices uses software that allows deletion or alteration of data, a fee of NPR 500,000 applies. If the taxpayer fails to comply with other e-invoicing requirements, a fee of NPR 100,000 applies.
- x. Personal Income Tax Slabs Revised :** The Finance Bill revises Schedule 1 of the Income Tax Act for resident natural persons or couples. The new rates are:

<b>Up to NPR 1,000,000 of employment taxable income</b>	<b>1%</b>
<b>Above NPR 1,000,000 to NPR 1,500,000</b>	NPR 10,000 plus 10% on excess over NPR 1,000,000
<b>Above NPR 1,500,000 to NPR 2,500,000:</b>	NPR 60,000 plus 20% on excess over NPR 1,500,000
<b>Above NPR 2,500,000 to NPR 4,000,000</b>	NPR 260,000 plus 27% on excess over NPR 2,500,000; and
<b>Above NPR 4,000,000</b>	Additional 2 percentage points on the excess income, effectively 29% on such excess.

### **D. Major Amendments to VAT Act 2052**

11. The Finance Bill has amended various provisions of the Value Added Tax Act, 2052 (1996). The key amendments relate to VAT rates for ride-sharing and electricity services, electronic invoicing, VAT return filing and amendment, penalties, and VAT exemption matters. The summary of the major amendments is set out in Annexure V.

#### ***Amendment relating to VAT Rate***

12. Earlier, VAT was applied at the standard rate of 13%, except for zero-rated supplies and exempt goods and services. The Finance Bill, 2083 now allows the Government to prescribe different VAT rates for specified goods or services through a notice published in the Nepal Gazette. It also introduces a specific 5% VAT rate for ride-sharing platform services and electricity services provided to final consumers.

Particular	Section Reference	Changes
<b>VAT rate</b>	VAT Act, Section 7, Finance Bill, Section 55(1)	Previously, VAT was only imposed at the standard rate of 13%. The VAT rate continues. The Finance Bill now allows the Government of Nepal to prescribe different VAT rates for specified goods or services through a notice published in the Nepal Gazette, provided that such rate does not exceed the standard VAT rate. This provision applies immediately (May 29, 2026).
<b>Ride-sharing services</b>	VAT Act, 2052: Section 7 and Section 8, Finance Bill, Section 55(1) and Section 55(2)	Previously, there was no specific VAT provision for ride-sharing platform services. Under the amended provision, a resident ride-sharing platform operator must determine and collect VAT at the rate of 5% on the taxable value of vehicle or delivery services provided through service providers connected with its electronic platform. The platform operator is also made responsible for collecting VAT on behalf of service providers attached to the platform. This provision applies from Shrawan 1, 2083 (17 July 2026)
<b>Electricity services</b>	VAT Act, 2052: Section 7, Finance Bill, Section 55(1)	Previously, electricity service was treated as VAT-exempt in the manner provided in the exemption schedule. Under the amended provision, electricity service supplied to final consumers is subject to VAT at the rate of 5% on the taxable value. However, household electricity consumption up to 50 units per customer per month remains within the VAT exemption schedule. Sale of electricity by one electricity trading business to another electricity trading business also remains exempt. This provision applies from Shrawan 1, 2083 (17 July 2026)

### **Electronic Invoicing and Central Billing Monitoring System**

- The Finance Bill replaces the existing Section 14A of the VAT Act and provides a clearer framework for electronic invoicing. The Inland Revenue Department may prescribe standards and procedures for electronic invoices. It may also require specified taxpayers to mandatorily issue electronic invoices, connect with the Central Billing Monitoring System (CBMS), or use the billing system provided by the Department.

Particular	Section Reference	Amended Provision
<b>Electronic invoice</b>	VAT Act, Section 14A; Finance Bill, Section 55(3)	The Inland Revenue Department may prescribe standards and procedures for issuing electronic invoices. The Department may also require specified taxpayers to issue electronic invoices compulsorily and connect with CBMS or use the Department's billing system.
<b>Security and reliability of billing software</b>	VAT Act, Section 14A; Finance Bill, Section 55(3)	The Department may issue procedures relating to the security and reliability of software or equipment used for issuing electronic invoices.

### **Change from VAT Refund to VAT Discount on Electronic Payment**

14. This amendment changes the nature of the benefit given to consumers for electronic payment. The benefit is now treated as an immediate discount instead of an immediate refund.

Particular	Section Reference	Amended Provision
<b>Electronic payment incentive</b>	VAT Act, Section 25(1b) Finance Bill, Section 55(6)	<i>Previously, a consumer making electronic payment for specified goods or services could receive 10% of the VAT paid as an immediate refund. Under the amended provision, the benefit is changed into an immediate discount, meaning the consumer gets the benefit at the time of payment itself instead of receiving a refund later.</i>

**Penalty Schedule under VAT Act Amendments**

15. The Finance Bill has amended certain penalty provisions under the VAT Act. The amendments mainly relate to penalties for non-compliance with electronic invoicing requirements, VAT obligations and directives relating to movement of business goods.

Matter	Section Reference	Amended Provision
<b>Penalty for non-compliant electronic invoice software</b>	VAT Act, Section 29(1)(chha2); Finance Bill, Section 55(8)(a)	Previously, a penalty of NPR 500,000 applied if electronic invoicing software allowed deletion or alteration of data, or if the software/equipment provider failed to comply with the Inland Revenue Department’s procedure. Under the amended provision, the NPR 500,000 fee continues for use of software where data can be deleted or altered. Further, a separate fee of NPR 100,000 applies for non-compliance with other Section 14A requirements, such as issuing electronic invoices as prescribed, connecting with the Central Billing Monitoring System, or using the billing system provided by the Department.
<b>Increase in general penalty</b>	VAT Act, Section 29(1)(ta) Finance Bill, Section 55(8)(b)	Previously, a penalty of NPR 1,000 per instance applied for any violation of the VAT Act or VAT Rules where no separate specific penalty was provided. Under the amended provision, such penalty has been increased to NPR 10,000 per instance.
<b>Penalty for violation of goods movement directive</b>	VAT Act, Section 29(1)(da); Finance Bill, Section 55(8)(c)	Previously, there was no specific penalty under this provision for violation of directives relating to internal movement of business goods. Under the amended provision, violation of the directive issued by the Inland Revenue Department for regulating internal movement of business goods attracts a penalty of NPR 50,000 per instance.

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## Annexure I

### Effective Date of the Provisions under Section 1(2) of the Finance Bill

#### A. Provisions Effective Immediately

Section	Heading
Section 1	Short title and commencement
Section 2	Value Added Tax
Section 3	Excise Duty
Section 4	Customs Duty
Section 6	Pollution Control Fee
Section 9	Green Tax
Section 10	Internal Production Protection and Promotion Fee
Section 11	Clean Infrastructure Investment Fee
Section 12	Road Construction Fee
Section 15	Education Service Fee
Section 20	Health Risk Tax
Section 24	Import facility for hydropower projects under bank guarantee
Section 25	Deduction for contribution to National Reconstruction Fund
Section 26	Special provision relating to loss of trading stock
Section 27	Special provision relating to restoration of damaged buildings, furniture, machinery and equipment
Section 28	Income tax exemption for construction or service providers under foreign aid projects
Section 29	Special provision treating exemption as Government share investment
Section 30	Waiver of old sales tax, entertainment tax, hotel tax, contract tax, old excise and old income tax arrears
Section 31	Waiver of Luxury Fee and VAT
Section 32	Special provision for destruction of expired or unusable goods
Section 33	Special provision for destruction of excise stamps
Section 34	Waiver of penalty and interest on post-clearance audit assessment
Section 35	Customs duty and Green Tax provision relating to fuel
Section 36	Fee/demurrage waiver for return of containers by shipping companies
Section 37	Income tax exemption for certain entities coming within tax net
Section 38	Tax, interest and fee waiver for non-profit institutions
Section 39	VAT interest, additional fee and penalty waiver for insurance agents
Section 40	Income tax interest and fee waiver
Section 41	VAT penalty and interest waiver
Section 42	VAT waiver on paneer
Section 43	Excise duty penalty and late fee waiver

Section 44	Waiver where returns are filed but tax or excise remains unpaid
Section 45	Waiver where tax created by assessment or revised assessment is paid
Section 46	Waiver where pending tax cases are withdrawn and tax is paid
Section 47	Income tax, interest and fee waiver for persons working with UN, international organisations or diplomatic missions
Section 48	Companies Act compliance-related tax, fee, charge, interest and penalty waiver
Section 49	Waiver of penalty and interest on dues under annual Finance Acts
Section 50	Withdrawal of pending Revenue Leakage cases
Section 51	Bank guarantee release or cash deposit refund
Section 54	Amendment to Liquor Act, 2031
Section 55	Amendment to VAT Act, 2052, except the specific ride-sharing/electricity-related provisions listed below
Section 56	Amendment to Excise Act, 2058
Section 58	Amendment to Customs Tariff Act, 2081
Section 59	Amendment to Customs Act, 2082

## B. Provisions Effective from Shrawan 1, 2083 (17 July 2026)

Section	Heading
Section 5	Foreign Employment Service Fee
Section 7	Telephone Ownership Fee
Section 8	Telecommunication Service Charge
Section 13	Luxury Fee
Section 14	Skill Promotion Fee
Section 16	Education Equality Fee
Section 17	Health Equality Fee
Section 18	Power to reduce, increase or exempt rates
Section 19	Power to simplify procedure or remove difficulties
Section 21	Movie Development Fee
Section 22	Casino Royalty
Section 23	Digital Service Tax
Section 52	Exemption on transfer of vehicles imported under diplomatic or duty facility
Section 53	Interim administration of house and land registration fee
Section 57	Amendment to Income Tax Act, 2058
Section 55(1)(a)(1b)	5% VAT provision relating to ride-sharing platform operators and electricity service to final consumers
Section 55(2)(2b)	VAT collection obligation of resident ride-sharing platform operators

## Annexure II

### New Charges and Taxes

<b>Particular</b>	<b>Rate / Amount</b>
Foreign employment service fee	1%
Pollution control fee	NPR 1.50 per litre
Telephone ownership fee	NPR 500 for fixed telephone; 2% on SIM/recharge value
Telecommunication service charge	10%
Skill promotion fee	0.5%
Education equality fee	3%
Health equality fee	3%

## Annexure III

### Amnesties and Relief

Particulars	Waiver upon Compliance
Customs post-clearance audit settlement	If the importer pays the full customs duty, excise duty and VAT by Poush end 2083, penalty and interest may be waived, and pending cases may be withdrawn.
Persons without PAN	If the person obtains PAN, files return for FY 2079/80 to FY 2082/83 and pays applicable tax by Poush end 2083, fee and interest will be waived.
PAN holders with no income or no business	If the person files FY 2082/83 return and pays tax by Poush end 2083, or applies for cancellation, earlier income returns will not be required.
PAN holders with pending tax and returns	If the person files the pending return and pays tax plus additional 1% by Poush end 2083, fee and interest will be waived.
VAT amnesty	If VAT amount plus additional 1% is paid and required VAT returns are filed by Poush end 2083, interest, additional fee and penalty will be waived.
VAT waiver on paneer	Past unpaid VAT on sale of paneer made from milk is waived where VAT was not collected.
Excise duty amnesty	If excise duty plus additional 1% is paid by Poush end 2083, delay fee and penalty will be waived. For licence renewal, renewal by Ashoj end 2083 may waive earlier renewal fee and penalty.
Filed returns but unpaid tax	If unpaid VAT, income tax or excise duty is paid with additional 1% by Poush end 2083, fee, additional fee, penalty, interest and late fee will be waived.
Tax created by assessment	If assessed tax or excise duty is paid with additional 1% by Poush end 2083, fee, additional fee, penalty and remaining interest or late fee will be waived. This does not apply to telecommunication service businesses.
Pending tax cases	If the taxpayer withdraws the case and pays determined VAT, income tax or excise duty with additional 1% by Poush end 2083, fee, additional fee, penalty, interest and late fee will be waived. This does not apply to telecommunication service businesses.
Companies Act compliance and fee waiver	If required return, tax, fee or charge for FY 2082/83 is submitted by Ashoj end 2083, tax, fee, charge, interest and penalty for earlier years will be waived.
Annual Finance Bill-based dues	If pending tax, fee or duty is paid with additional 1% and required details are submitted by Mangsir end 2083, penalty, interest and fee will be waived.
Revenue leakage cases	If the determined amount or bigo is paid with additional 1% by Poush end 2083, fine may be waived and the Government may withdraw the case.



## Annexure IV

### Major Amendments to the Income Tax Act

Particulars	Amendment
Sweat shares in IT sector	The value of sweat shares received as remuneration by a person employed in the information technology industry is excluded from taxable remuneration income.
Donation deduction limit	The deductible donation limit is increased from NPR 100,000 to NPR 300,000.
Cash payment deduction threshold	The cash payment threshold is reduced from NPR 50,000 to NPR 25,000 per transaction. The rule now applies more broadly, not only to persons with turnover above NPR 2 million.
Advance pricing agreement	The Inland Revenue Department may enter into advance pricing agreements for international related-party transactions. The agreement may be unilateral, bilateral or multilateral, may remain valid for up to five income years, and may include rollback for up to four preceding income years.
Section 57 change-in-control rule	Section 57 will not apply in specified cases, including capital increase in start-up, venture capital or private equity fund without reducing existing shareholders' interest, transfer to legal heirs due to death, and certain indirect ownership changes involving resident entities.
Final withholding treatment	Certain capital gains, specified foreign currency payments, specified service payments and insurance agent commission are treated as final withholding payments.
Capital gains on listed securities	For securities held for more than 365 days, the rate is increased from 5% to 7.5%. For securities held for 365 days or less, the rate is increased from 7.5% to 10%.
Capital gains on land/private building	For land or private building held for five years or more, the rate is increased from 5% to 7.5%. For less than five years, the rate is increased from 7.5% to 10%.
Compulsory acquisition by Government	Where land or building of a natural person is compulsorily acquired due to Government decision, the applicable advance tax rate is 2.5%.
Advance tax on ride-sharing payments	A resident ride-sharing platform operator must collect 1% advance tax on amounts paid to natural persons providing services through the platform.

## Annexure V

### Major Amendments to the VAT Act

Particulars	Amendments
<b>General VAT rate</b>	Previously, VAT was generally imposed at the standard rate of 13%. The rate continues. However, under Section 55(1) of the Finance Bill, 2083, the Government may prescribe different VAT rates for specified goods or services by publishing a notice in the Nepal Gazette.
<b>Ride-sharing services</b>	A resident ride-sharing platform operator must determine and collect VAT at the rate of 5% on the taxable value of vehicle or delivery services provided through service providers connected with its electronic platform.
<b>Electricity services</b>	Under the amended provision, electricity service supplied to final consumers is subject to VAT at the rate of 5% on the taxable value. However, household electricity consumption up to 50 units per customer per month remains within the VAT exemption schedule. Sale of electricity by one electricity trading business to another electricity trading business also remains exempt.
<b>Electronic payment benefit</b>	The benefit given to consumers for electronic payment is changed from "immediate refund" to "immediate discount". This means the consumer gets the benefit at the time of payment itself instead of receiving a refund later.
<b>Penalty for non-compliant electronic invoice software</b>	A fee of NPR 500,000 applies if electronic invoicing software allows deletion or alteration of data. A separate fee of NPR 100,000 applies for non-compliance with other Section 14A requirements, such as prescribed electronic invoicing, or use of the billing system provided by the Department.
<b>Increase in general penalty</b>	General penalty for violation of the VAT Act or VAT Rules, where no separate specific penalty is provided, is increased from NPR 1,000 to NPR 10,000 per instance.
<b>Penalty for violation of goods movement directive</b>	Violation of the directive issued by the Inland Revenue Department for regulating internal movement of business goods attracts a penalty of NPR 50,000 per instance.