附件3

**尼泊尔税收概览Nepal Tax Profile**

* 1. **Jurisdiction Background**

Nepal, officially the Federal Democratic Republic of Nepal, is a sovereign country in South Asia and is landlocked. It borders China in the north and India in the south, east and west. Nepal fuses rich cultural diversity with natural beauty. The capital, Kathmandu is the largest city in the country and the cultural and economic heart.

Nepal is a Federal Democratic Republic, with the Federal Parliament being the legislature body. The Federal Parliament operates on a bicameral system, consisting of the National Assembly and the House of Representatives. The President serves as the ceremonial Head of State and Commander in Chief of the Armed Forces, with the Prime Minister being the leader of the majority party in the Parliament. The administrative system consists of three levels being federal, provincial and local governments.

Nepal is a multicultural and multi-ethnic country, home to 125 distinct ethnic groups speaking 123 different mother tongues and following a number of indigenous and folk religions in addition to Hinduism, Buddhism, Islam and Christianity. Nepali is the national language, while English is the lingua franca of the upper class. Nepal is an agricultural country that heavily relies on foreign aid. Currently Nepal is one of the Least Developed Countries according to UNCTAD[[1]](#footnote-0).

* 1. **Organizational Structure**

Nepal’s existing revenue administration consists of Inland Revenue Administration, Revenue Investigation Administration and Revenue Administration Training Centre. Inland Revenue administration has Inland Revenue Department (IRD) as the headquarter. It was established under the Ministry of Finance in 2001. It has a total of 84 operational level offices: 1 Large taxpayer's office, 1 Medium level taxpayer's office, 43 Inland Revenue offices (IROs) and 39 Taxpayer service offices (TSOs). Revenue Investigation Administration is the third wing of the revenue administration that has one department, four regional offices and six check-posts. The Revenue Administration Training Centre is responsible for capacity building of revenue and account cadres. The IRD has about 1700 approved manpower.

Customs administration consists of Customs Department, one post clearance audit office, 40 main customs offices and 133 sub-customs offices.

* 1. **Current Tax System**

Taxes in Nepal are imposed by the federal, provincial and local governments. The federal government levies corporate/individual income tax, value added tax, customs duties, excise duties and a series of minor taxes and duties, including agricultural reform duties, health risk tax, education service duty, infrastructure development tax, road construction tax, road maintenance and improvement duty, pollution control duty, telephone ownership duty, telecommunications service duty, electronic service tax, luxury tax, foreign tourism tax and foreign employment service duty. Provincial and local governments levy agricultural income tax, house and land registration fees, vehicle tax, entertainment tax, advertisement tax, land revenue, house and land tax and business tax, some of which are shared by both governments.

* 1. **Overview of tax preference policies**

To support investment and economic growth, Nepal has issued various tax incentive policies. Major incentives by tax type are listed below:

Corporate Income Tax

Tax incentives are available under the Income Tax Act 2002 (ITA) and under sections 22-34 of the Industrial Enterprises Act 2076 (2020) (IEA), as amended. Many incentives are available to those in special industries which are defined as production based, agricultural and forest based and mineral industries specified in section 3 of the IEA. except for industries producing cigarettes, bidi, cigar, chewing tobacco, khaini, gutkha, paan masala or similar other products having tobacco as basic raw materials, or beer, alcohol and similar other products (section 11 of the ITA).

The incentives include tax exemptions, tax rate reductions, accelerated depreciation and specific deductions.

**Value Added Tax**

* VAT exemption is applicable for machinery imports;
* VAT threshold has been set at NPR. 5 million;
* VAT refund on input tax to the regular exporter;
* Zero rate facility for hydropower projects.

Customs Duty:

* 1% customs duty is capped on to Technology and Machinery imports.
* Duty draw back facility provided for importing raw materials and ancillary goods.
  1. **Tax Collection and Administration**

The IRD is responsible for the administration of VAT, income tax, excise duties, health service tax, education service fee and motion picture development fee etc. The IRD develops policy, plan and programs and issues directives and guidance to the field offices and monitors their functioning. It prepares operational guidelines, designs forms and working manuals and deals with international tax issues.

Field offices being IROs and TSOs are responsible for the day-to-day operations such as registration, processing of tax returns and payments, auditing and collection of tax arrears, educating taxpayers and disseminating tax information to people at large.

The IRD has been working to broaden and protect tax base, implement necessary procedures and programs to increase taxpayers’ voluntary tax registration and filing, monitor and evaluate the compliance of tax laws and implement tax laws based on tax risk, and provide taxpayer services using information technology.

* 1. **Taxpayer Services[[2]](#footnote-1)**

Especially since the introduction of the self-assessment system in 1993, the IRD has identified the need to empower citizens by providing improved information access and assistance in IROs as well as educating taxpayers to comply with tax laws. Attempts for effective communication strategies and initiatives to provide assistance to individuals and businesses have been undertaken to strengthen the capabilities of citizens:

* Information campaigns were conducted using different channels, such as IRD website, call centers, newspapers, radio, TV, social media and direct interactions;
* Manuals, brochures, leaflets and pamphlets etc. on Income Tax, VAT and Excise have been developed and published to provide a clear reference and interpretation of tax laws;
* Online services including registration, filing, export tax refund etc. were introduced and continuously developed;
* Organize orientation sessions regularly for new taxpayers in each IROs and TSOs, celebrate “national tax week” jointly with taxpayers to disseminate the information.
  1. **Tax Legislation Process[[3]](#footnote-2)**

Article 115(1) of the 2015 Constitution of Nepal, states that“No tax shall be levied and collected except in accordance with law.”The power to impose and collect taxes lies with the legislative body, being the Federal Parliament. Any tax or amendment to existing tax laws must be approved by the Parliament through a proper legislative process. A Finance Bill must be compulsorily introduced in the House of Representatives for scrutiny, debates, and discussions. Then the Bill will be transmitted to the National Assembly for deliberation. The House of Representatives may incorporate the amendments suggested by the National Assembly if any and submits it to the President for assent. The Finance Bill becomes an Act after the President gives assent to it and will be incorporated into the corresponding tax laws such as 《Income Tax Act 2002》, 《Value-added Tax Act》etc.

* 1. **Future Tax Reform Plan[[4]](#footnote-3)**

To embrace development policies of the national economic plan and support investment and growth, Nepal is continuously reforming the tax system, including：

• Review and revise tax incentives, tax exemptions, and tax rebate policies；

• Introduce a system of recording and reporting tax expenditures;

• Keep income tax rates internationally competitive;

• Standardize tax provisions in line with international practice;

• Respond promptly in tax dispute matters and issue advance ruling if required;

• Conclude Double Tax Agreements and be a member of the multilateral tax framework to attract FDI.

* 1. **International Cooperation (IBFD Corporate 6.1.4)**

Till date Nepal has conclude Double Tax Avoidance Agreement with total of 11 countries, namely India, Norway, Thailand, Sri Lanka, Mauritius, Austria, China, Qatar, Korea, Pakistan and Bangladesh.

Nepal is a party to the South Asian Association for Regional Cooperation (SAARC) Limited Multilateral Agreement on Avoidance of Double Taxation and Mutual Administrative Assistance in Tax Matters, which was concluded on 13 November 2005 and was effective in Nepal from 16 July 2011. The other parties to the treaty are Bangladesh, Bhutan, India, Maldives, Pakistan and Sri Lanka.

Nepal is not a member of the OECD/G20 BEPS Inclusive Framework and has not signed the joint statements with other Inclusive Framework members on the agreement to implement a two-pillar solution to address the tax challenges arising from the digitalization of the economy.

* 1. **Others**

None.

1. 联合国贸发会：最不发达国家清单https://unctad.org/topic/least-developed-countries/list) , as of December 2023. [↑](#footnote-ref-0)
2. 2012IRD《Strategic Plan 2012/2013-2016-2017》P18，Taxpayer Service [↑](#footnote-ref-1)
3. Sushil 2023/07《When exactly does Finance Bill become Finance Act?》 [↑](#footnote-ref-2)
4. 《Inland Revenue Management Second Strategic Plan 2018/19- 2022/23》P10, Strategy 1.1: Reform tax policies to support investment and growth. [↑](#footnote-ref-3)