

## **Nepal Budget Highlights (2079-80) 2022-23**

### **Focusing on Income Tax- TDS Sections only**



**Compiled by: Madan Sah & Associates (Chartered Accountants)**

*(Madan Sah & Associates (Chartered Accountants) is a legally registered firm with The Institute of Chartered Accountants of Nepal (ICAN), the responsible body for regulating the auditing and accounting profession in Nepal. The principal of the firm, Mr. Sah, a fellow chartered accountant, holds the certificate of practice from ICAN).*

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## Budget 2079/80 (2022-23) Highlights: At a glance

The minister of Finance, Janardan Sharma announced the Budget of Nepal for Fiscal Year 2079/80 (2022-23) after approval of the cabinet meeting in the joint sitting of the federal parliament.

Budget Goals: Stability, productivity, and employment growth.

The major purpose of the budget is to decrease imports by 20% and increase export by double.

Budget Size: 17.93 Kharba,

Re-Current Expenditure- 7.53 Kharba

Capital Expenditure- 3.80 Kharba (21.2%)

Financial Management- 2.30 Kharba (12.8%)

Financial Handover to Province/Local Government - 4.29 Kharba (24%)

*Sources to attain the required amount to meet the budget size;*

- Through Tax - 12.40 Kharba
- Through Grants - 55.46 arba
- Through Foreign Loans - 2.42 Kharba
- Through Internal Loan - 2.56 Kharba

*\*-Changes are indicated with colour.*

## Tax Rates applicable for F. Yr. 2079-80 (2022-23)

Schedule I	Particulars (Salary Income Tax Rates)	Tax Rates F.Yr.2079-80	Tax Rates F.Yr.2078-79
(1) (1)	<b>Resident natural person:</b>		
(Opted Single)	up to 500,000 (employment income except pension)	1%	(Upto 400,000) 1%
	up to 500,000 (business and investment income)	0%	(Upto 400,000) 0%
	next 200,000	10%	Next 100,000 10%
	next 300,000	20%	Next 200,000 20%
	next 1,000,000	30%	next 1,300,000 30%
	balance above 20 lakhs	36%	36%
	1% tax shall not be imposed on natural person contributing to pension fund and contribution based Social Security Fund.		

(1) (2) (Opted Couple)	<b>Resident natural person:</b>		
	up to 600,000 (employment income except pension)	1%	(Upto 450,000) 1%
	up to 600,000 (business and investment income)	0%	(Upto 450,000) 0%
	next 200,000	10%	Next 100,000 10%
	next 300,000	20%	Next 200,000 20%
	next 900,000	30%	next 1,250,000 30%
	balance above 20 lakhs	36%	36%
	1% tax shall not be imposed on natural person contributing to pension fund and contribution based Social Security Fund.		
(1)(5)	Remote Allowance	Maximum deduction of Rs 50,000 as per grade A, B, C, D and E	Maximum deduction of Rs 50,000 as per grade A, B, C, D and E
(1)(6)	Foreign Diplomatic Allowance	75% of foreign allowance received can be deducted from Taxable Income	75% of foreign allowance received can be deducted from Taxable Income
(1)(8)	<b>Nonresident natural person</b> (If withholding tax u/s 88, 88Ka, 89 are not applicable)	25%	25%
(1) (9A)	<b>Pension Income</b> For calculating Tax Liability of a person having pension income, he/she can deduct up to 25% of basic slab exemption. (i.e., 5L for resident person and 6L for resident Couple). While deducting, maximum limit as prescribed.	25%	25% (i.e., 4L for resident person and 4.5L for resident Couple)
(1)(10)	<b>Disability Allowance</b> Maximum deduction allowed as disability allowance is:	50% of basic Exemption Limit (5L or 6L)	50% of basic Exemption Limit (4L or 4.5L)
(1)(11)	<b>Female Tax Rebate</b> If a Resident Natural Person is a female having only employment income, then a rebate of 10% is given on the amount of tax to be paid by such natural person	10% on Tax Amount	10% on Tax Amount
(1)(12)	<b>Investment Insurance</b> Resident Natural Person doing Investment Insurance can deduct the following amount from his/her taxable income for the purpose of tax calculation.	Rs 40,000 or Actual Premium whichever is lower	Rs 25,000 or Actual Premium whichever is lower
(1)(16)	<b>Health Insurance</b> Resident Natural Person doing Health Insurance can deduct the following amount from his/her taxable income for the purpose of tax calculation.	Rs 20,000 or Actual Premium whichever is lower	Rs 20,000 or Actual Premium whichever is lower
(1)(16) A	<b>Building Insurance Premium</b> If a Resident Natural Person insures his/her private building can deduct the mentioned amount from his/her taxable income for the purpose of tax calculation	Rs 5,000 or Actual Premium whichever is lower	Rs 5,000 or Actual Premium whichever is lower
<b>Section 88: TDS on Payments of Investment Returns or Service Fees</b>			

Section	Particulars	Tax Rates F.Yr. 2079- 80	Tax Rates F.Yr.2078-79	Final withholding or not
88 (1)	Normal interest payment having source in Nepal	15%	15%	No
88 (1)	Royalty, service fee, commission, sales bonus, natural resource payments having source in Nepal	15%	15%	No
88(1)	Meeting allowances, payment for occasional teaching having source in Nepal	15%	15%	Yes
92(1) (Ja)				(Meeting fee up to 20000 per meeting)
88(1)(1)	Payment made by GON or ARF after deducting higher of 5,00,000 or 50%	5%	5%	Yes
92(1) (Chha)				If paid lumpsum
88(1)(2)	Commission paid by resident employment company to non-resident	5%	5%	Yes
92(1) (Cha)				
88(1)(3)	Payment for aircraft lease	10%	10%	No
88(1)(4)	Payment of service fee to service provider registered in VAT or person carrying out VAT exempt transaction	1.5%	1.5%	No
88(1)(5)	Rent paid by a resident person having source in Nepal	10%	10%	No
88(1)(5)	Rent paid to person conducting business of vehicle leasing registered in VAT	1.5%	1.5%	No
88(1)(5)	House Rent paid to a natural person	No TDS	No TDS	NA
88(1)(6)	Dividend by mutual fund to natural person	5%	5%	Yes
88 (1) (8)	Dhuwani services and rent paid for means used in dhuwani services	2.5%	2.5%	No
88 (1) (8)	If Dhuwani service provider or person providing means used in dhuwani services on rent is registered in VAT	Not Applicable (No VAT Registration required)	1.5%	No
88 (2) (Ka)	Dividend	5%	5%	Yes
92 (1) (Ka)				
88 (2) (Ga)	Gain from Payment from resident unapproved retirement fund	5%	5%	Yes
92 (1) (Gha)				
<b>Section 88 (Ka)- TDS on windfall gains</b>				
88 (Ka) (1)	Windfall gain	25%	25%	Yes
92 (1) (Jha)				
88 (Ka) (2)	National and International Prize up to 500,000 for contribution in literature, arts, culture, sports, journalism, science, technology	No TDS if Govt. declare	No TDS if Govt. declare	
92 (1) (Jha)				
<b>Section 89: TDS on payment of Contracts and agreements</b>				
89 (1)	Contract for 50,000 or more	1.5%	1.5%	No

89 (3) (Ka)	Payment to non-resident person for any agreement or contract	5%	5%	Yes
89 (3) (Kha)	Payment made for the work to be done through User Committee (Upabhokta Samiti) above Rs. 50 Lakhs	1.5%	1.5%	No

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