



Tax Administration in Nepal

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Introduction

- Many kinds of traditional & primitive taxes were in practice in Nepal till mid of 20th century.
- Nepal's tax system has evolved significantly since the introduction of income tax act in 1959.
- Currently, Nepal has been implementing Income Tax, Value Added Tax, Customs and Excise as major taxes in Federal Level.
- Property Tax & Agricultural taxes fall under Local Level.
- The Inland Revenue Department is responsible for collecting taxes and enforcing tax laws except customs.
- But Customs revenue mobilization is a jurisdiction of Customs Department.



BUILDING A GROWTH-FRIENDLY TAX ENVIRONMENT

Core Value

Vision

An efficient institution to support the process of development through broad-based, transparent and fair tax system.

Mission

Ensuring appropriate tax policies and better services for improved tax compliance.

Values

- Integrity
- Professionalism
- Fairness
- Respect
- Collaboration
- Innovation



BUILDING A GROWTH-FRIENDLY TAX ENVIRONMENT

Registration Status

- Taxpayers are assigned with 9-digit Permanent Account Number (PAN),
- Total Registration Status
 - Business PAN - 2,026,091
 - Personal PAN - 4,676,288
 - Total No of PAN - 6,702,379
 - VAT Registered Taxpayers - 343,771



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Tax Filing and Collection

Tax Filing

- Nepal's Tax System is based on taxpayers' Self-Assessment.
- Mainly 3 Types of Income Tax Returns D0, D02 & D03.
- All the taxpayers need to submit their returns Online.
- Income Tax Return is to be submitted within 3 months of fiscal year end.
- Withholding tax returns are filed by the agents.

Tax Collection

- Small Taxpayers can pay tax once in a year, after fiscal year end,
- Others pay three tax installments across the fiscal year.
- The 1st Installment is 40% of the estimated annual taxable income,
- The 2nd & 3rd Installments each is 30%.
- The trend of digital payment is in increasing pattern.



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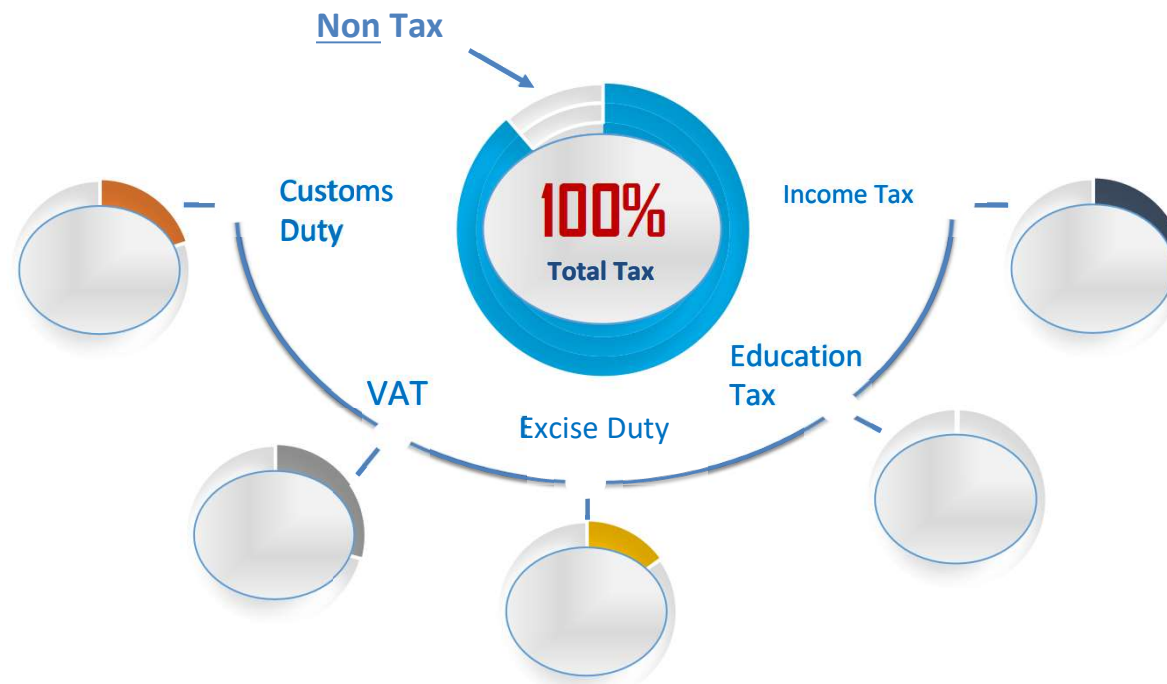
Revenue Status

Fiscal Year	2019/20	2020/21	2021/22	2022/23	2023/24
GDP (Bil. in \$)	29.46	32.97	37.70	40.52	43.22
Total Revenue (Bil. in \$)	6.01	7.11	8.09	7.25	8.02
Tax Revenue (Bil. in \$)	5.30	6.59	7.46	6.56	7.16
Total Revenue/GDP (%)	20.41	21.56	21.46	17.90	18.56
Tax Revenue/GDP (%)	18.00	19.99	19.78	16.18	16.56



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Revenue Status



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Organizational Structure

- The Inland Revenue Department (IRD) is the primary tax authority,
- The IRD is responsible for assessing, collecting, and enforcing taxes,
- The IRD has a network of offices throughout the country,
 - One Large taxpayer Office looking after big taxpayers, rendering the annual transaction above 1 billion Nepalese Rupees,
 - One Medium Level taxpayer Office looking after mid-level big taxpayers, rendering the annual transaction above 500 mil. to 1 bil. Nepalese Rupees,
 - 43 Inland Revenue Offices administering rest of the taxpayers across the country,
 - 39 Service Offices are there solely to deliver taxpayer services where above mentioned offices are distant in terms of service delivery.
 - 1565 Staffs have been being engaged to run the inland tax administration.



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Reforms in Tax Administration

- Digitization:** Introduction of online tax filing, e-payment systems and electronic tax invoices.
- Simplification:** Efforts to reduce bureaucratic delays, simplify tax procedures, and improve taxpayer services.
- Awareness:** Government and private sector initiatives to improve taxpayer awareness.
- Integration:** Connecting tax administration with other government services.
- Innovation:** Introducing Digital Service Tax for last 2 years and Non Resident digital service provider is supposed to get registered in Nepal & subject to pay VAT & DST.



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THANKS