

The Value-Added Tax Act, 1996 (2052)

Date of Royal Seal and Publication

20 March 1996 (2052.12.7)

Amending Acts:

- | | |
|---|--------------------------------|
| 1. The Value-Added Tax (First Amendment) Act, 2002 (2058) | 17 January 2002
(2058.10.4) |
|---|--------------------------------|

Date of Authentication and Publication

- | | |
|---|----------------------------------|
| 2. Some Nepal Laws Amendment Act, 2006 (2063) | 14 October 2006
(2063.6.28) |
| 3. Republic Strengthening and Some Nepal Laws Amendment Act, 2066 (2010) ¹ | 21 January 2010
(2066.10.7) |
| 4. Some Nepal Laws Amendment Act, 2016 (2072) | 25 February 2016
(2072.11.13) |
| 5. The Financial Act, 2018 (2075) | 16 July 2018
(2075.3.32) |
| 6. The Financial Act, 2019 (2076) | 15 July 2019
(2076.3.30) |
| 7. The Financial Act, 2020 (2077) | 29 June 2020
(2077.3.15) |
| 8. The Financial Act, 2021 (2078) | 29 September 2021
(2078.6.13) |

¹ This Act commenced on 28 May 2008 (15 Jestha 2065).

Act No. 14 of the year 2052 (1996)

.....²

An Act Made to Levy and Collect Value-Added Tax

Preamble:

Whereas, it is expedient to collect revenue effectively by managing the process of levying and recovering the value-added tax on all transactions including sale, distribution, transfer, import or export of goods or services, in order to increase the mobilization of revenue by making effective the process of collection of revenue required for economic development of the country;

Now, therefore, the Parliament has enacted this Act in the twenty-fourth year of the reign of His Majesty King Birendra Bir Bikram Shah Dev.

1. Short title and commencement: (1) This Act may be cited as the "Value-Added Tax Act, 1996".

(2) It shall come into force on such date as the Government of Nepal may appoint by a notification in the Nepal Gazette.³

2. Definitions: Unless the subject or the context otherwise requires, in this Act,-

(a) "Tax" means the value-added tax to be levied pursuant to this Act.

² Removed by the Republic Strengthening and Some Nepal Laws Amendment Act, 2010.

³ This Act came into force since 16 November 1997 (2054.8.1) by a notification in the Nepal Gazette dated 1 August 1997 (2054.5.2).

- (b) "Transaction" means the supply of any goods or service.
- (c) "Taxable transaction" means the transactions referred to in sub-section (1) of Section 5.
- ⁴(d) "Taxable value" means the value to be determined pursuant to Sections 12 and 12A. in relation to any goods or service.
- (e) "Goods" means both kinds of movable and immovable property.
- (f) "Service" means anything other than goods.
- ⁵(g) "Supply" means the sale, exchange, transfer of any goods or service whether for consideration or nor or giving of permission thereto or making contract thereon.
- ⁶(h) "Consideration" means anything to be obtained as its value for the supply of goods or service.
- (i) "Import" means the act of importing any goods or service into ⁷..... Nepal in accordance with the prevailing laws.
- ⁸(j) "Export" means the act of exporting any goods or service outside Nepal or to an exporting house or special economic zone pursuant to the prevailing laws.

⁴ Amended by the Financial Act, 2018.

⁵ Amended by the Financial Act, 2018.

⁶ Amended by the Financial Act, 2018.

⁷ Deleted by the Republic Strengthening and Some Nepal Laws Amendment Act, 2010.

⁸ Amended by the Financial Act, 2018.

(k) "Market value" means the value determined pursuant to Section 13.

⁹(k1) "Electronic means" means computer, internet, e-mail, fax, electronic cash machine, fiscal printer like means, and this term also includes the means of electronic payment and such other means of similar nature as specified by the Department.

¹⁰(l) "Person" means any individual, firm, company, association, institution, partnership firm, co-operative, joint venture, trust (*guthi*) or fund, and this term also includes any government body, religious organization, benevolent association or other similar body and branch or sub-branch thereof, which is involved in taxable transaction, whether for profit motive or not.

¹¹(m) "Registered person" means a person registered pursuant to Sections 10, 10A. and 10B. to carry on transaction.

¹²(n) "Registration number" means the registration number provided pursuant to Sections 10, 10A. and 10B.

(o) "Supplier" means the person who supplies any goods or service.

(p) "Recipient" means a person who receives any goods or service.

⁹ Inserted by the Financial Act, 2018.

¹⁰ Amended by the Financial Act, 2018.

¹¹ Amended by the Financial Act, 2018.

¹² Amended by the Financial Act, 2018.

¹³(q) "Taxpayer" means a person who is involved in taxable transaction or a person who bears the duty to pay tax pursuant to this Act.

¹⁴(q1) "Tax period" means the period in which the taxpayer is required to submit the tax return pursuant to Section 18.

¹⁵(r) "Department" means the Inland Revenue Department.

(s) "Director General" means the Director General of the Department.

¹⁶(t) "Tax officer" means the tax officer or chief tax officer or chief tax administrator appointed by the Government of Nepal, and this term also includes the section officer, Director, Deputy Director General of the Department or any other officer so designated by the Government of Nepal as to exercise the powers of the tax officer under this Act.

(u) "Prescribed" or "as prescribed" means prescribed or as prescribed in the rules made under this Act.

3. Tax officer may be appointed or designated: For the purposes of this Act, the Government of Nepal may appoint a required number of tax officers and, the Government of Nepal may, if it deems necessary, also designate any other officer of the Government of Nepal to perform the function of the tax officer.

¹³ Amended by the Financial Act, 2018.

¹⁴ Inserted by the First Amendment.

¹⁵ Amended by the Financial Act, 2018.

¹⁶ Amended by the Financial Act, 2018.

¹⁷4. Jurisdiction of tax officer: (1) The jurisdiction of a tax officer shall be as determined by the Ministry of Finance.

(2) The Director General may so designate and empower any tax officer to make inspection and monitoring of transaction and assessment of tax of the taxpayers in any other area than that falling under his or her jurisdiction.

5. Value-added tax to be levied: (1) Except as otherwise provided in this Act, the value-added tax shall be levied on the following transactions:

(a) On goods or services supplied within ¹⁸ Nepal,

(b) On goods or services imported into¹⁹ Nepal,

(c) On goods or services exported from²⁰ Nepal.

(2) The tax shall be levied on the value of each taxable transaction.

(3) Notwithstanding anything contained in sub-section (1), tax shall not be levied on the transaction of goods or services referred to in Schedule -1. In addition, the tax paid prior to the purchase of such goods or services shall not be liable to be deducted pursuant to Section 17 and to be refunded pursuant to Section 24.

²¹5A. Tax not to be levied on transfer of ownership of transactions: (1) Notwithstanding anything contained elsewhere in this Act, if a

¹⁷ Amended by the Financial Act, 2018.

¹⁸ Deleted by the Republic Strengthening and Some Nepal Laws Amendment Act, 2010.

¹⁹ Deleted by the Republic Strengthening and Some Nepal Laws Amendment Act, 2010.

²⁰ Deleted by the Republic Strengthening and Some Nepal Laws Amendment Act, 2010.

registered person sells the transaction being carried on by him or her to another registered person or if the transaction devolves on his or her successor upon his or her death, tax shall not be levied on such transfer of ownership. The registered person or the transferee shall, in so selling or transferring the transaction, give information thereof to the Department as prescribed.

(2) Notwithstanding anything contained in sub-section (1), in the case of transfer of any industry or business registered or to be registered under law, the person acquiring ownership shall bear the obligation of taxation under law.

(3) Subject to sub-section (2), the person acquiring ownership shall bear the obligation to safely maintain accounts, records and books of transaction of such an industry or business until such period (prior to the transfer) as prescribed under this Act.

²²5B. Power to order for registration: If there is a reasonable ground to believe that a person required to be registered is carrying on any transaction without getting registered, the tax officer may order such person to get registered.

²³ Provided that a person who claims that he or she is not required to get registered because he or she has carried on the transaction only the value of which does not exceed the amount prescribed pursuant to Section 9 shall submit an evidence thereof not later than thirty days of the date of receipt of order for registration.

²¹ Amended by the Financial Act, 2018.

²² Inserted by the First Amendment.

²³ Amended by the Financial Act, 2018.

6. Place and time of supply: (1) For the purpose of assessment and realization of tax pursuant to this Act, the matter whether the supply of any goods or service has been made within or outside Nepal shall be determined as prescribed.

(2) For the purpose of assessment and realization of the tax pursuant to this Act, the time of the supply of any goods or service which occurs earlier out of the following times shall be regarded as the time of supply of such goods or service:

- (a) At the time when the supplier issued the invoice,
- (b) In the case of supply of goods, at the time when the recipient received or took the goods from the supplier's place of transaction,
- (c) In the case of supply of service, at the time when the service was rendered,
- (d) At the time when the supplier received consideration for the goods or service.

(3) Notwithstanding anything contained in sub-section (2), the following time shall be regarded as the time of supply in any of the following circumstances:

- (a) In the case of telecommunication service to be supplied continuously or similar other public service, the time when the invoice was issued,
- (b) In the case of the contract providing for the payment by installments of the value of any goods or service

partially on more than one day, the day on which the payment was made or the day mentioned in the contract on which payment has to be made, whichever occurs earlier,

(c) In the case of goods or service so used as not to get the tax deduction facility pursuant to this Act, the time when such goods or service were used.

(4) If more than one circumstance set forth in sub-section (2) are simultaneously applicable with respect to the time of supply of any transaction, the time of supply of such transaction shall be determined in a manner specified by the Director General objectively.

7. Rate of tax: ²⁴(1) The rate of tax to be levied pursuant to this Act shall be the flat rate of thirteen percent.

(2) Notwithstanding anything contained in sub-section (1), tax on the transaction of goods or services set forth in Schedule-2 shall be levied at the rate of zero percent.

8. Assessment and realization of tax: (1) A registered person shall assess and realize tax on the taxable value in accordance with this Act and the rules framed under this Act.

²⁵(2) A person who is registered or not registered to acquire a service from any person outside Nepal shall assess and realize the tax on the taxable value in accordance with this Act and the rules framed

²⁴ Amended by the Financial Act, 2018.

²⁵ Amended by the Financial Act, 2018.

under this Act at the time of payment or at the time of acquisition of the service, whichever occurs earlier.

²⁶(3) Even though a building, apartment or shopping complex or similar other structure as specified by the Department which costs more than five million rupees and which is built for the commercial purpose has been got constructed by a non-registered person, tax shall be deposited as if it were built by a registered person. In the event of a failure to so deposit, tax shall be determined and realized from the person having ownership of that structure.

Explanation: For the purposes of this sub-section, "commercial purpose" means the construction and sale of such building, apartment, shopping complex or similar other structure specified by the Department or use of such structure for income generation by accounting it as a running or permanent property.

²⁷8A. Provision of bank guarantee: (1) An industry that exports more than forty percent of the total sales in the last twelve-month period of its operation may make import by providing to the concerned Customs Office a bank guarantee of the amount of tax leviable on importing such raw materials as required for the production of the quantity of goods to be exported and on the goods to be imported for a duty free shop through the bonded warehouse.

Provided that, except for the import by a duty free shop through the bonded warehouse, in order for other exporter to obtain

²⁶ Inserted by the Financial Act, 2018.

²⁷ Inserted by the Financial Act, 2018.

such a facility, the goods prepared from the raw materials for export shall have ten percent value addition.

(2) The liquors and cigarettes imported through the bonded warehouse facility referred to in sub-section (1) shall be sold only to a person or body who is entitled to diplomatic and tariff facility as recommended by the Ministry of Foreign Affairs, Government of Nepal.

(3) The bank guarantee provided pursuant to sub-section (1) shall be released from the concerned Customs Office upon completing the procedures prescribed by the Department.

²⁸9. Exemption for small entrepreneurs: Notwithstanding anything contained elsewhere in this Act, those small entrepreneurs who carry on annual taxable transaction not exceeding the prescribed amount may be exempted, as prescribed, from the requirements to register, submit returns and complete other process.

Provided that a small entrepreneur, other than a tax payer submitting taxable pre-estimated income returns pursuant to sub-section (4) of Section 4 of the Income Tax Act, 2058 (2002) carrying on transaction of the goods and service subject to value-added tax, may, if he or she desires to get registered voluntarily, register his or her transaction after completing the procedures referred to in Section 10, 10A. and 10B.

²⁸ Amended by the Financial Act, 2018.

10. Registration:²⁹ (1) Any person wishing to engage in any transaction shall, prior to its commencement, make an application, in the prescribed format, to the tax officer for the registration of the transaction.

³⁰(2) If any person carries transaction of goods or service liable to tax, such a person shall, not later than thirty days of the date of levying such tax or of the operation of the transaction, make an application, in the prescribed form, to the tax officer for the registration of such transaction.

(3) Notwithstanding anything contained in sub-sections (1) and (2), a person who carries on the transaction of only such goods or service exempted from tax as mentioned in Schedule 1 shall not be required to get registered.

(4) The tax officer shall register each person who duly makes an ³¹application pursuant to sub-section (1) or (2) and issue the registration certificate, along with the registration number, to such a person in such format and within such time-limit as prescribed.

(5) The registered person shall so display the registration certificate at his or her principal place of transaction as is conspicuous to all, and if there are more than one places of

²⁹ Amended by the Financial Act, 2018.

³⁰ Amended by the Financial Act, 2021.

³¹ Amended by the Financial Act, 2018.

transaction, the registration certificate attested by the tax officer shall also be so placed at other places as to be conspicuous to all.

(6) The registered person shall use his or her registration number in relation to all transactions relating to value-added tax, excise and customs and also to such other transactions as prescribed.

(7) The registered person shall inform the tax officer of the change, if any, in the information mentioned in the application made for registration pursuant to sub-section (1) or (2) not later than fifteen days of the making of such change.

³²10A. Special provision on temporary registration: (1) In the case of an exhibition, fair organized temporarily and similar other transaction, the organizer and the entrepreneurs who are not registered in value-added tax but carry on transaction of taxable goods or services in such events shall, prior to the commencement of such transaction, get registered temporarily in value-added tax as prescribed.

(2) An entrepreneur registered in value-added tax pursuant to sub-section (1) may carry the goods to be kept in the programme by way of stock transfer.

(3) The tax payer registered only for the programme referred to in sub-section (1) shall, within seven days of the completion of the exhibition, fair organized by the taxpayer, cancel the temporary registration by submitting the details of the transaction and depositing all the leviable taxes.

³² Amended by the Financial Act, 2018.

³³10B. Special provision on registration of joint venture: (1) If two or more persons establish a joint venture to carry on taxable transaction for a certain period, such persons shall make an application to the tax officer of any one of the offices in which such persons have been registered, for the temporary registration of such a joint venture.

(2) If an application is received pursuant to sub-section (1), the tax officer shall issue the registration certificate in the prescribed format.

(3) The joint venture registered pursuant to sub-section (1) shall cancel the registration after the expiration of the period specified in the agreement concluded at the time of establishment of such a joint venture.

(4) The persons involved in a joint venture shall be jointly or severally liable for the purpose of payment of tax obligation of that joint venture.

³⁴10C. Special provision on updating of registration records: A person registered under this Act shall update the information and records as specified by the Department in the biometric registration system of the Department³⁵

³⁶11. Cancellation of registration: (1) The tax officer shall cancel the registration of a registered person if:

³³ Inserted by the Financial Act, 2018.

³⁴ Inserted by the Financial Act, 2019.

³⁵ Removed by the Financial Act, 2021.

³⁶ Amended by the Financial Act, 2018.

- (a) In the case of a body corporate, such a body corporate is closed down, sold or transferred or otherwise ceases to exist,
- (b) In the case of an individual ownership, such an owner dies,
- (c) In the case of a partnership firm, such a firm is dissolved or the partner dies,
- (d) That person ceases to carry on taxable transactions,
- (e) That person is a taxpayer who submits zero return for twelve consecutive years or has failed to submit any return at all,
- (f) That person is a taxpayer whose taxable transaction is less than five million rupees in the case of goods and two million rupees in the case of mixed transaction of goods and service or of service in the last twelve months,
- (g) That person has been registered mistakenly.

(2) Notwithstanding anything contained in clause (f) of subsection (1), if the tax payer registered voluntarily pursuant to Section 9 so intends and makes an application, accompanied by the final return of the last twelve months, in the prescribed format, the registration of such a tax payer shall be maintained.

(3) The tax payer shall submit the documents for tax examination within fifteen days of the submission of tax return for

the cancellation of registration, and the tax officer shall, within three months, cancel such registration after tax examination of the tax payer or inform the taxpayer if the registration is not liable to cancellation. The tax payer need not submit the tax return after that period if the tax officer fails to cancel the registration or to make a decision for its cancellation within that period.

(4) Stock of the goods, including capital goods, available at the time of the cancellation of registration on which tax deduction facility has already been taken, tax shall be assessed and recovered as if the stock were supplied at the market value.

Explanation: For the purposes of this sub-section, "capital goods" means any property or any part of the property and the property to be used in a taxable transaction.

(5) In the case of a tax payer who has any act and obligation due to be performed under this Act as a result of the commission or omission of anything in the course of transaction of taxable goods or service, the cancellation of the registration of such a tax payer shall not exempt him or her from such obligation.

(6) The other procedures on the cancellation of registration shall be as prescribed.

12. Taxable value: (1) Except as otherwise provided in this Act, in the case where only money is consideration, only the price that the supplier has taken from the recipient shall be the taxable value.

(2) The taxable value shall include³⁷ the following amounts:

(a) The amount of expenditures relating to transportation and distribution borne by the supplier in connection with the transactions, and the amount of profit,

³⁸(b) Excise duty, ownership fee and other tax amount other than the tax under this Act.

Explanation: For the purposes of this clause, "other tax amount" means tariff, fee or other charge as specified by the yearly Financial Act.

(3) The Taxable value shall not include the amount of discount, commission or similar other commercial discount granted on the value in supplying goods or service.

(4) The taxable value of any goods or service exchanged under barter shall be equal to the market value of the goods or service so exchanged.

(5) Except as otherwise provided in this Act, in determining the taxable value of any imported goods, it shall be determined by adding its customs value including transportation, insurance, freight, commission of agents and other persons, and customs duties, countervailing duties and other taxes, if any, leviable on import, except the value-added tax.

³⁷ Inserted by the Financial Act, 2018.

³⁸ Amended by the Financial Act, 2018.

(6) If the value of any goods or service is found to be much lower than the prevailing market value, the taxable value of such goods or service shall be equal to the market value.

(7) The taxable value of goods or service supplied for partial consideration shall be equal to the market value.

(8) The security deposited for any goods or service shall not be considered to be a taxable value until the supplier applies the security as the consideration for such goods or service, in such manner as prescribed.

³⁹12A. To levy tax on transaction of timber: (1) Tax shall be levied and collected on the amount of royalty or the amount of auction of any timber of a national forest, whichever is higher at the time of the receipt of order for auction, release deed or order for sawing of such timber, whichever occurs earlier.

(2) If any timber of a private cultivation, private forest or community forest is sold for commercial purpose, tax shall be levied on it in accordance with sub-section (1) as if it were a timber of a national forest, in spite of such a sale being free from royalty.

13. Market value: (1)⁴⁰ The market value of goods or service supplied on a particular day shall be determined taking into account the consideration to be received for similar kind of goods or service freely supplied between unconnected persons.

³⁹ Inserted by the Financial Act, 2018.

⁴⁰ Amended by the First Amendment.

(2) For the purpose of this Section, the procedure for the determination of market value shall be as prescribed.

(3) If the market value of any goods or service cannot be determined under sub-sections (1) and (2), the market value of such goods and service shall be determined in accordance with such procedure as specified by the Director General.

14. Invoice to be issued: (1) Every registered person is required to issue an invoice to the recipient, in supplying any goods or service, except in the cases as prescribed.

(2) The format of the invoice shall be as prescribed.

(3) It shall be the duty of the recipient to obtain the invoice.

⁴¹(4) A person who transports taxable goods the value of which exceeds ten thousand rupees outside the area designated by the Department shall keep the tax invoice with himself or herself.

⁴²(5) In the case of any such person and such goods as may be specified by the Department by publishing a notice or issuing an order in writing, the Department may so specify that has to make public the retail selling price of such goods for such period as specified in that notice or order. Upon receipt of such notice or order, no goods shall be sold or transferred without making public the retail price thereof.

⁴¹ Inserted by the Financial Act, 2018.

⁴² Inserted by the Financial Act, 2018.

⁴³(6) Provision shall be made that on the sale of such goods by the person specified ⁴⁴pursuant to sub-section (5) to any unregistered person, recovery of consumer level tax too is to be made by issuing the invoice of the price made public in the prescribed format.

Provided that any person not specified pursuant to sub-section (5)⁴⁵ may also issue the invoice referred to in this sub-section voluntarily.

⁴⁶14A. Electronic invoice: (1) The taxpayer may, with the prior approval of the Department, issue an electronic invoice.

(2) Notwithstanding anything contained in sub-section (1), the Department may, by publishing a notice, order the tax payers specified in the notice to issue the electronic invoice compulsorily and link such electronic means to the central invoice/billing monitoring system (CBMS) of the Department.

(3) The Department shall make and enforce procedures regarding the security and reliability of the software or equipment issuing invoice through electronic means.

15. Unregistered person not to collect tax: (1) A person who is not registered shall not issue any invoice or other document showing the collection of tax and collect the tax.

(2) If a person who is not registered collects tax, the tax so collected shall be assessed and recovered from him or her.

⁴³ Inserted by the Financial Act, 2018.

⁴⁴ Amended by the Financial Act, 2019.

⁴⁵ Amended by the Financial Act, 2019.

⁴⁶ Inserted by the Financial Act, 2018.

⁴⁷(3) Notwithstanding anything contained in sub-section (1) or (2), the Government of Nepal, Provincial Government, Local Level or any international organization or mission resided in Nepal or public corporation transacting on goods not subject to the value-added tax shall collect tax on the sale of goods or service subject to the value-added tax.

16. Accounts of transaction to be maintained: (1) A tax payer shall maintain and update accounts of his or her transaction of the tax period referred to in Section 18, and if the tax officer demands such accounts for inspection, the tax payer shall provide such accounts of him or her wherever placed to the tax officer.

⁴⁸(1a) The Department may receive continuous access to the computer database of the tax payer.

(2) The following shall also be included in the accounts maintained by the tax payer:

- (a) Date of each transaction,
- (b) Value of each transaction,
- (c) Registration number of the other party of the transaction if registered, and
- (d) Such other matters related with transaction as prescribed.

⁴⁹(3) A registered or unregistered person carrying transaction of goods or service liable to tax shall use the purchase and sales book

⁴⁷Inserted by the Financial Act, 2018.

⁴⁸Inserted by the Financial Act, 2018.

certified by himself or herself for each financial year for the purpose of maintaining accounts. The tax officer may inspect such accounts at any time.

⁵⁰(3a)⁵¹

(4) The tax payer shall preserve the accounts of transactions for the period as prescribed.

⁵²(5) The accounts maintained by a taxpayer by fulfilling the procedures specified by this Act or the Rules framed hereunder shall be recognized unless proved otherwise.

⁵³16A. Records processed by computer to be admissible as evidence: (1) Notwithstanding anything contained in the prevailing law, the records relating to taxpayers maintained in the computers installed in the Department or offices thereunder shall be admissible as evidence for purposes of tax, except as otherwise proved.

(2) The Department may, by publishing a notice to that effect, manage the necessary arrangements for issuance of invoices, book keeping, submission of tax returns and payment through electronic means.

⁵⁴16B. To deduct tax paid for goods damaged: The value-added tax paid for any goods damaged or lost as a result of arson, theft, accident, wear

⁴⁹ Amended by the Financial Act, 2021.

⁵⁰ Inserted by the Financial Act, 2018.

⁵¹ Removed by the Financial Act, 2021.

⁵² Inserted by the First Amendment.

⁵³ Amended by the Financial Act, 2018.

⁵⁴ Inserted by the Financial Act, 2018.

and tear or destructive activity ⁵⁵or having the usable date expired may be deducted as prescribed.

17. Tax deduction: (1) A registered person may deduct the amount of tax paid or to be paid by the person in importing or receiving the goods or service related with his or her own taxable transaction from the amount of tax collected by him or her.

⁵⁶(2) Notwithstanding anything contained in sub-section (1), it may be provided that no deduction or only a partial deduction may be allowed in the case of the prescribed goods that can be used for commercial or personal purpose.

(3) If the entire portion of the goods or service transacted in a month is not used in taxable transaction, deduction of the tax previously paid on any goods or service shall be allowed as prescribed only for the portion used in taxable transaction of that goods or service.

(4) If the goods or service for which tax deduction facility is granted pursuant to this Section cease to be used in taxable transaction prior to the expiration of the utility period thereof as prescribed, tax shall be recovered as prescribed as if such goods or service were sold at the immediate market value.

(5) Notwithstanding anything contained in sub-section (1), tax deduction facility to be enjoyed by a registered person dealing with the already used goods shall be as prescribed.

⁵⁵ Inserted by the Financial Act, 2021.

⁵⁶ Amended by the Financial Act, 2018.

⁵⁷(5a) The concerned taxpayer shall be allowed to deduct the tax paid on the capital goods imported or purchased through a loan agreement under a financial lease subject to sub-section (2).

⁵⁸(5b) The concerned taxpayer shall be allowed to deduct the tax paid pursuant to sub-section (2) of Section 8, Section 12A. and sub-section (3) of Section 15.

(6) The tax deduction facility under this Act shall be granted only when a claim is substantiated by such documents as prescribed.

(7) The provision on deduction of tax paid or to be paid on the goods in stock at the time of registration and used in the taxable transaction shall be as prescribed.

⁵⁹(8) Notwithstanding anything contained elsewhere in this Section, the name of the taxpayer who fails to submit the tax returns for consecutive six months shall be published, and such taxpayer's remaining amount of tax to be deducted, if any, shall be withheld and his or her registration may also be suspended.

18. To submit tax returns: (1) Every taxpayer shall, upon making assessment of the tax payable by him or her in every month, submit the tax return, as prescribed, to the tax officer ⁶⁰or by a registered post or through electronic means within twenty-five days of the

⁵⁷ Amended by the Financial Act, 2018.

⁵⁸ Inserted by the Financial Act, 2018.

⁵⁹ Inserted by the Financial Act, 2018.

⁶⁰ Inserted by the Financial Act, 2018.

completion of that month. Such return shall be submitted whether or not a taxable transaction was carried out in that month.

(1a)⁶¹ Notwithstanding anything contained in sub-section, (1) the taxpayers of the districts having no Inland Revenue Office or Taxpayer Service Office may submit the amount of tax and tax return to the Funds and Accounts Controller Office of the concerned district within the 15th day of the month by which he or she is required to submit his or her tax return. The Funds and Accounts Controller Office shall send the tax return and the details of the tax payment received as such to the concerned Inland Revenue Office or Taxpayer Service Office within seven days.

(1b)⁶² The procedure for submitting and sending the tax return pursuant to sub-sections (1) and (1a) shall be as determined by the Department.

(2) Notwithstanding anything contained in sub-section (1), such taxpayers as prescribed may submit the tax return of a period that is longer or shorter than one month.

19. Payment of tax: (1) A taxpayer shall pay the ⁶³tax for each tax period within twenty-five days of the completion of that period.

⁶⁴(2) If the taxpayer fails to submit the tax within the time limit mentioned in sub-section (1), additional fee of ten percent per annum shall be charged on the due amount.

(3) ⁶⁵

⁶¹ Inserted by the Financial Act, 2018.

⁶² Inserted by the Financial Act, 2018.

⁶³ Amended by the First Amendment.

⁶⁴ Amended by the Financial Act, 2018.

(4) If a taxpayer submits an application for the remission of the additional charges imposed under ⁶⁶sub-section (2) stating the reason that the failure to make timely payment was caused by a situation beyond the taxpayer's control (force majeure), the Director General may, if he/she finds the reason reasonable, remit such charges.

(5) The liability of tax amount to be paid on calculation of the additional charges ⁶⁷referred to in sub-section (2) and the interest referred to in Section 26 shall be charged calculating the period from the date of expiration for submission of the tax of the transaction of the month by which the duty is created ⁶⁸within that tax period.

⁶⁹(6) If, in assessing the tax of any taxpayer pursuant to Section 20, it appears that the amount of tax which he or she could get refunded exceeds the tax recoverable from him or her in that tax period, additional charge and interest shall not be recovered in assessing his or her tax in that tax period.

⁷⁰(7) Tax may also be paid within the time-limit mentioned in sub-section (1) by an electronic means or a cheque guaranteed by a bank (good for payment cheque). Tax shall be deemed paid on the date of the payment in case of the payment made through electronic means and receipt by the Office of cheque guaranteed

⁶⁵ Deleted by the Financial Act, 2018.

⁶⁶ Amended by the Financial Act, 2018.

⁶⁷ Amended by the Financial Act, 2018.

⁶⁸ Amended by the Financial Act, 2018.

⁶⁹ Inserted by the First Amendment.

⁷⁰ Amended by the Financial Act, 2018.

by the bank (good for payment cheque) in the case of payment made by good for payment cheque.

⁷¹(7a) Notwithstanding anything contained in sub-section (7), payment of tax exceeding one million rupees shall be made through a cheque, draft or electronic means.

⁷²(8) No interest shall be charged and collected on interest, additional charge and fine.

20. Power of tax officer to assess tax: (1) The tax officer may make tax assessment in any of the following circumstances:

- (a) If the tax return is not submitted within the time limit,
- (b) If an incomplete or erroneous tax return is submitted,
- (c) If a fraudulent tax return is submitted,
- (d) If the tax officer has a reason to believe that the amount of tax was understated or otherwise incorrect,
- (e)⁷³ If the tax officer has a reason to believe that the price of supply is under-invoiced,
- (f)⁷⁴ If supplied in a group company making under-invoicing,

⁷¹ Inserted by the Financial Act, 2019.

⁷² Inserted by the First Amendment.

⁷³ Inserted by the First Amendment.

⁷⁴ Inserted by the Financial Act, 2018.

- (g)⁷⁵ If transaction is made by such a person without registration that has to be registered,
- (h)⁷⁶ If sold without issuing invoice,
- (i)⁷⁷ If tax is collected by an unregistered person,
- (j)⁷⁸ If tax is not paid pursuant to sub-section (2) or (3) of Section 8,
- (k)⁷⁹ If there exists the situation referred to in sub-section (4) of Section 17.

(2) In assessing the tax pursuant to sub-section (1), the assessment may be made on any or all of the following bases:

- (a) Proof of transaction,
- (b) A tax audit report on transactions submitted by the concerned tax officer,
- (c) Tax paid by another person engaged in a similar transaction.

(3) Notwithstanding anything contained in sub-section (2), the burden of proof shall lie with the concerned tax officer in assessing tax in accordance with the above provisions.

⁸⁰(4) In assessing the tax pursuant to sub-section (1), the assessment shall be made within four years from the date of submission of the tax return. If the tax cannot be assessed within

⁷⁵ Inserted by the Financial Act, 2018.

⁷⁶ Inserted by the Financial Act, 2018.

⁷⁷ Inserted by the Financial Act, 2018.

⁷⁸ Inserted by the Financial Act, 2018.

⁷⁹ Inserted by the Financial Act, 2018.

⁸⁰ Amended by the Financial Act, 2018.

that period, the return so submitted shall *ipso facto* be considered to be valid.

⁸¹(4a) Notwithstanding anything contained in sub-section (4), the Department may order for reassessment of the tax at any time if any person has evaded tax by preparing a fake account or invoice or other document or with fraudulent act.

⁸²(4b) Notwithstanding anything contained in sub-section (4), the tax officer may not amend the tax, in a case of the amendment of the assessed tax or reduced the assessed tax by the Revenue Tribunal or other courts having jurisdiction, to the extent of such amendment or deduction.

Provided that it shall not be considered as obstruction for tax assessment in the case of re assessment order made by such body.

(5) The tax officer shall, in assessing tax pursuant to this Section, give a period of ⁸³fifteen days to the concerned person to submit his or her clarification.

21. Tax recovery: (1) If any tax payer fails to pay the payable tax within the time limit referred to in this Act, ⁸⁴ the concerned tax officer may recover the tax by using any or all of the following methods:

(a) By deducting the amount, if any, to be refunded to the taxpayer,

⁸¹ Inserted by the Financial Act, 2018.

⁸² Inserted by the Financial Act, 2021.

⁸³ Amended by the First Amendment.

⁸⁴ Deleted by the Financial Act, 2018.

(b) By seizing any movable and immovable property of the taxpayer,

⁸⁵(c) By selling through auction all or any of the taxpayer's property at a time or in a series of auctions,

(d) By causing to deduct amount from the taxpayer's money held in a bank and financial institution,

(e) By causing to deduct the amount payable to the taxpayer by the Government of Nepal or a body corporate owned by the Government of Nepal or ⁸⁶Local Levels,

⁸⁷(f) By claiming the amount payable by a third party to the taxpayer,

(g) By withholding import, export and other transactions of the taxpayer,

⁸⁸(h) By preventing him or her from going outside Nepal.

⁸⁹(i) By publication or broadcasting or publishing in the website of the Department of the name of taxpayer not paying leviable tax within the time limit.

⁸⁵ Amended by the Financial Act, 2018.

⁸⁶ Amended by Some Nepal Laws Amendment Act, 2015.

⁸⁷ Amended by the Financial Act, 2018.

⁸⁸ Inserted by Financial Act, 2018.

⁸⁹ Inserted by the Financial Act, 2021

⁹⁰(2) The information on action taken by the tax officer pursuant to sub-section (1) shall be provided to the Director General within twenty-four hours.

⁹¹(3) A sum that is less than one rupee shall not be counted in recovering or refunding the tax.

⁹²22. Assessment of tax in special circumstance: Notwithstanding anything contained elsewhere in this Act, whenever there is a reason to believe that the recovery of tax is not possible because any person is about to leave Nepal or to transfer his or her property to anybody or to remove or conceal assets, the tax officer may, with the approval of the Director General, immediately assess and recover or ask for security for the tax due or payable by such a taxpayer.

22A.⁹³ Provision against tax evasion plan: Notwithstanding anything contained elsewhere in this Act, if any of the following acts is done with ill intention to get benefits of tax, it shall be considered to be a tax evasion plan, and the Director General may order the tax officer to assess and recover the tax of such taxpayer:

(a) If liability of tax is reduced by carrying out any plan and act with ill intention to evade tax by abusing the provision of this Act,

⁹⁰ Amended by the Financial Act, 2018.

⁹¹ Inserted by First Amendment.

⁹² Amended by the Financial Act, 2018.

⁹³ Inserted by the Financial Act, 2018.

(b) If any person or body conducts any act with ill intention to evade tax or concludes any agreement with such motive.

23. Powers of inspection and audit: (1) The tax officer may examine, if there is a reasonable ground to believe that a taxpayer required to be registered under this Act has been involved in a taxable transaction without being registered.

(2) In order to examine pursuant to sub-section (1), verify the tax return submitted by a registered person under Section 18 and assess the tax under Section 20, the tax officer shall have the following powers:

- (a) To inspect all goods, premises, documents, records and accounts relating to the liability for tax,
- (b) To search the place of transaction of the taxpayer or other places where the evidence related to an offence under this Act may be found,
- (c) To require, in pursuance of discharging his or her duty, information from a person who prepares any record, book, ledger or other document or makes entry therein,
- (d) To take possession of, remove and transfer, any document, book and record from the place of taxpayer's transaction or other place related thereto,

(e) To perform audit of tax at the taxpayer's place of transaction or in the Tax Office or at any other appropriate place.

(3) If the tax officer requests any person, including a bank or financial institution to furnish any information about the taxpayer's transaction, it shall be the duty of such person to furnish such information to the tax officer.

⁹⁴23A. Local administration and police to render assistance: In cases where the tax officer seeks assistance of the local administration and police in the course of implementing this Act, it shall be the duty of the local administration and police to render such assistance.

⁹⁵23B. This Act to prevail on tax provision: Notwithstanding anything contained in the prevailing laws, except in cases where the Financial Act to be enforced in every year amends this Act and provides for imposition, assessment, increase, decrease, exemption, or remission of tax, no other Act shall make any amendment to, or alter tax provisions referred to in, this Act or make other tax related provisions.

⁹⁶23C. To purchase goods under-invoiced: (1) Notwithstanding anything contained in the prevailing laws, if any person under invoices and sells any goods, showing the selling price lower than the market price, the tax officer may withhold the remaining goods of similar nature in stock which were under-

⁹⁴ Inserted by First Amendment.

⁹⁵ Inserted by First Amendment.

⁹⁶ Inserted by the Financial Act, 2018.

invoiced and sold and purchase, or cause to be purchased, them at the selling price made under-invoiced.

(2) If, in the course of purchasing, or causing to be purchased, the goods by the tax officer pursuant to sub-section (1), such person does not agree to sell the goods, the tax officer may take possession of such goods, calculate the same on the basis of the selling price which was under-invoiced and make payment when such person comes to get payment.

(3) The goods purchased, or caused to be purchased, under sub-section (1) or (2) may be sold, or caused to be sold, at such price and in accordance with such process as specified by the Director General.

⁹⁷23D. Power to hold in custody or seize or demand security: (1) If any person, firm, company or body conducts transaction with evasion of tax and if action is not taken immediately it is likely to have the accused absconded or evidence of the offence lost, the tax officer may, with the approval of the Director General, do, or cause to be done, the following acts:

- (a) to seal the place of transaction,
- (b) to seize the electronic equipment and its record,
- (c) to execute a memorandum and demand cash or asset security in an amount equivalent to the tax evaded by the person believed to have committed the offence,

⁹⁷ Inserted by the Financial Act, 2018.

- (d) to seize the bank account in the name of the taxpayer for three months,

Provided that the bank account may be seized for additional three months with the approval of the Director General in the case of non-completion of the tax assessment process,

- (e) to hold in custody for a maximum of forty-five days, not exceeding fifteen days at one time if no cash or asset security is deposited pursuant to clause (c).

(2) The tax officer shall have such powers as the police have under law with respect to inquiry and investigation into the offence pursuant to this Act.

24. In case of amount deductible exceeding tax liability: (1) If the amount of tax deductible by a registered person under Section 17 exceeds in any month the amount of tax collected in that month, such excess amount may be adjusted with the outstanding amount, if any, under this Act.

(2) The remainder of the amount after adjustment made under sub-section (1) may be adjusted with the amount of tax payable in the next month.

(3) A registered person may make an application to the tax officer as prescribed, for a lump sum refund of the amount

remaining after making adjustment for ⁹⁸consecutive four months under this Section.

⁹⁹(4) Notwithstanding anything contained in sub-section (2) or (3), if any registered person whose export sales for a month is more than forty percentage of his or her total sales for that month makes an application following the procedures specified in this Section for the refund of the amount pursuant to Section 17, such person may get refund of the remaining amount after making adjustment in the due and payable amount, if any.

¹⁰⁰(5) If any application is made pursuant to sub-section (3) or (4), the tax officer shall refund the amount held to be refundable, and if it is not refunded within sixty days in the case of sub-section (3) and within thirty days in the case of sub-section (4) of the date of submission of the application, the Government of Nepal shall also pay an interest on that amount as prescribed.

(6) When a registered person makes a claim for refund of the amount remaining after adjustment under sub-sections (3) and (4), such amount cannot be adjusted with the tax collected next month.

25. Tax may be refunded: (1) The following amount of tax shall be refunded if an application for refund is submitted within three years from the date of transaction:

⁹⁸ Amended by the Financial Act, 2019.

⁹⁹ Amended by the Financial Act, 2018.

¹⁰⁰ Amended by the Financial Act, 2018.

(a) ¹⁰¹ If a foreign country grants on the basis of reciprocity tax exemption facility to diplomats of Nepal whom the Government of Nepal, Ministry of Foreign Affairs has granted diplomatic recognition or to diplomatic facility enjoying persons serving in a regional or international mission or organization, the amount of tax paid within Nepal by any diplomat of such a country, regional or international mission or organization to the extent of consumption by such a person,

(a1) ¹⁰² Tax amount paid by a mission with diplomatic privilege upon recommendation of the Ministry of Foreign Affairs, Government of Nepal in the purchase of goods or service taxable in Nepal,

¹⁰³(a2) Tax amount paid by the United Nations Organization, its member and specialized agencies in the purchase of taxable goods and service within Nepal in the course of operation of activities in pursuance of its objective.

(b) Tax amount of or paid by an international organization to which the Ministry of Finance, Government of Nepal has granted the tax exemption facility,

¹⁰¹ Amended by the Financial Act, 2018.

¹⁰² Inserted by the Financial Act, 2019.

¹⁰³ Inserted by the Financial Act, 2020.

(c) Tax amount paid in carrying out a project conducted in ¹⁰⁴ Nepal under a bilateral or multilateral agreement to which the Ministry of Finance, Government of Nepal has given permission for tax exemption,

(d) Any tax amount recovered by mistake.

¹⁰⁵(1a) Notwithstanding anything contained in sub-section (1), the tax amount paid by a diplomatic agency or diplomat in the purchase of taxable goods or service, tax paid in a purchase of less than ¹⁰⁶ten thousand rupees at one time shall not be refunded.

¹⁰⁷(1b) If the price of any consumable goods or service purchased is paid through electronic mode of payment pursuant to the prevailing laws, ten percent of such payment shall be refunded to his or her bank account under the procedure prescribed by the Department as a cash incentive.

(2) The tax amount to be refunded under clause (d) of sub-section (1) shall only be refunded to the person bearing the actual burden of tax.

¹⁰⁸25A. Tax paid in purchase by foreign tourist to be refunded: The tax paid in the goods purchased of more than twenty-five thousand rupees and brought along with himself or herself by a foreign tourist, returning upon visiting Nepal through air way

¹⁰⁴ Deleted by the Republic Strengthening and Some Nepal Laws Amendment Act, 2010.

¹⁰⁵ Inserted by the Financial Act, 2018.

¹⁰⁶ Amended by the Financial Act, 2019.

¹⁰⁷ Inserted by the Financial Act, 2019.

¹⁰⁸ Inserted by the Financial Act, 2018.

shall be refunded in accordance with the procedure prescribed by the Department. Three percent of such refunded amount shall be deducted as a service charge.

¹⁰⁹25B. Tax to be refunded from custom point in re-exportation: If any good is re-exported, the person shall be refunded with the amount on the basis of evidence of re-exportation of such goods from the deposit for value-added tax deposited by the concerned person from the concerned customs office.

¹¹⁰25C. Tax to be refunded in re-exportation: If the payment is received in advance in convertible currency after exportation, the amount paid in purchase for value-added tax shall be refunded to the concerned person shall.

¹¹¹25C(1).Tax to be refunded in excess payment made under deed or contract: (1) The public body or organization having full or partial ownership of the Government of Nepal in accordance with the prevailing laws related to public procurement in the course of making payment to the concerned contractor or supplier for the goods or service supplied under the deed agreement or contact, the amount deposited for tax in its name may be adjusted in the tax to be paid by the concerned contractor or supplier.

(2) The amount deposited in excess not possible for adjustment even after making adjustment for executive four months pursuant to sub-section (1), the concerned contractor or

¹⁰⁹ Inserted by the Financial Act, 2018.

¹¹⁰ Inserted by the Financial Act, 2018.

¹¹¹ Inserted by the Financial Act, 2020.

supplier shall, if he or she wishes to have refund of such amount, submit an application to the tax officer.

(3) Upon receipt of any application pursuant to sub-section (2), the tax officer shall refund the amount determined to be refunded within sixty days of submission of such application.

(4) Wherever the concerned contractor or supplier claimed for the remaining amount after adjustment to be refunded under sub-section (2), such amount shall not be adjusted in the amount of tax raised in the next month.

¹¹²25C(2). Tax paid in purchase by the Drugs Industry to be refunded: (1)

If a drugs industry purchases raw material, associated raw material and packing material for production of drugs from the domestic industry, such industry may submit an application to the tax officer to have refunded tax paid in such purchase in every four months.

(2) Upon receipt of any application pursuant to sub-section (1), the tax officer shall refund the amount determined to be refunded within sixty days of submission of such application.

¹¹³25D. Tax not to be refunded: Notwithstanding anything contained elsewhere in this Act, the amount to be refunded under this Act

¹¹² Inserted by the Financial Act, 2020.

¹¹³ Inserted by the Financial Act, 2018.

shall not be refunded if an application for refund is not made within three years from the date of expiration of the tax period.

¹¹⁴26. Interest: (1) If any amount payable under this Act is not paid within the time-limit, interest shall be charged on the outstanding amount after the date of expiration of such time-limit. Such interest shall be calculated even where an application is made for administrative review under Section 31A. and for appeal under Section 32.

(2) For the purpose of sub-section (1), the rate of the interest shall be fifteen percent per annum.

27. To be treated as tax: Any charge, interest and penalty to be levied under this Act shall be treated as a tax payable under this Act.

28. Provision relating to import: (1) Except as otherwise specified by the Ministry of Finance, Government of Nepal, the customs officer shall recover the tax under this Act on the goods imported.

¹¹⁵(1a) If, after the completion by the customs office of the custom procedure for exportation of the goods produced or manufactured in Nepal or after such goods have reached abroad, such goods are re-imported because the concerned party has rejected to accept the goods or for any other reason and such goods are to be exported within three months of such importation, such goods may be released against the security of the value-added tax leviable at the time of such bringing back and such security shall be returned once the goods are re-exported. The

¹¹⁴ Amended by the Financial Act, 2018.

¹¹⁵ Inserted by the Financial Act, 2018.

concerned customs office shall provide details of the amount so deposited as security and returned to the Inland Revenue Department.

(2) The customs officer may exercise the powers referred to in this Act and the prevailing Customs Act to recover tax with respect to goods to be imported.

29. Punishment: ¹¹⁶(1) In cases where any person commits any of the following offences, the tax officer may impose a fine as follows:

(a) Twenty thousand rupees for each time¹¹⁷ for the violation of an order given by the tax officer to register under Section 5B. or for the violation of sub-section (1) or (2) of Section 10 or for not being registered pursuant to sub-section (1) of Section 10A. and sub-section (1) of Section 10B.,

(b) One thousand rupees for each violation, for the violation of ¹¹⁸sub-section (5) or (6) of Section 10,

¹¹⁹(b1) Two thousand rupees for each time, for not keeping a tax board or not keeping the tax board at the designated place pursuant to this Act or Rules framed under this Act,

¹¹⁶ Amended by the First Amendment.

¹¹⁷ Amended by Financial Act, 2020.

¹¹⁸ Amended by Financial Act, 2019.

¹¹⁹ Inserted by the Financial Act, 2018.

- ¹²⁰ (b2) Ten thousand rupees for each time, for the violation of sub-section (7) of Section 10,
- ¹²¹ (c) Ten thousand rupees for each time, for the violation of sub-section (1) of Section 14 by not issuing an invoice and one thousand rupees for each time for not taking the invoice,
- ¹²² (c1) Ten thousand rupees for each time, for the violation of sub-section (4) of Section 14,
- ¹²³ (d) One hundred percent of the tax collected in violation of Section 15,
- ¹²⁴ (d1) A fine of fifty percent of the amount of tax in question imposed by the tax officer on a person required to be registered who engages in transaction without registration,
- ¹²⁵ (e) Ten thousand rupees for a failure to maintain updated accounts of transaction pursuant to sub-section (1) of Section 16, and twenty thousand rupees for each time for refusing inspection of the books of accounts,
- (f) A maximum of five thousand rupees for the violation of sub-section (2) of Section 16,

¹²⁰ Inserted by the Financial Act, 2019.

¹²¹ Amended by Financial Act, 2019.

¹²² Inserted by the Financial Act, 2019.

¹²³ Amended by the Financial Act, 2018.

¹²⁴ Inserted by the Financial Act, 2020.

¹²⁵ Amended by the Financial Act, 2018.

(g) Ten thousand rupees for the violation of sub-section (3) or (4) of Section 16,

¹²⁶(g1) ¹²⁷.....

¹²⁸(g2) Five hundred thousand rupees if the taxpayer who has or has not obtained approval for issuance of electronic invoice is found to have used a software that can delete or correct data,

¹²⁹(g3) Five hundred thousand rupees if the person constructing, installing or operating the software or equipment for issuance of electronic invoice does not comply with the procedure issued by the Department pursuant to Section 14A.,

(h) One thousand rupees per tax period or 0.05 percent of the tax payable per day, whichever is higher, for the violation of the provision of Section 18,

(i) Five thousand rupees for each time for making obstruction in the carrying out of the functions under Section 23,

(j) Two thousand rupees for each invoice or the fine imposed under sub-section (2), whichever is higher, for under invoicing,

¹²⁶ Inserted by the Financial Act, 2018.

¹²⁷ Removed by the Financial Act, 2021.

¹²⁸ Inserted by the Financial Act, 2018.

¹²⁹ Inserted by the Financial Act, 2018.

Provided that, if the office finds appropriate, it may purchase or cause to be purchased the goods that are under invoiced, as prescribed.

(k) Ten thousand rupees for each time, for the violation of this Act or the Rules framed under this Act.

¹³⁰(1a) The tax officer may impose a fine of up to twenty-five percent of the claimed tax amount on such basis as specified by the Department if the tax liability is reduced by not complying with this Act or the Rules framed under this Act.

¹³¹(1b) If, in inspecting the stock of a taxpayer, the stock of good more than that recorded in the purchase account is found, the tax officer may require to make entry of such goods, set the market price of such goods so found in excess and impose a fine of fifty percent of such price.

¹³²(1c) The tax office may impose ¹³³the sentence of a fine of fifty percent of the issued invoiced price or of imprisonment for a term not exceeding six months or both on a seller person who issues invoice only without transferring the goods or service.

¹³⁰ Inserted by Financial Act, 2018.

¹³¹ Inserted by Financial Act, 2018.

¹³² Inserted by Financial Act, 2018.

¹³³ Inserted by Financial Act, 2019.

¹³⁴(1d) The tax officer may impose a fine of fifty percent of the taxable amount to a person, having obligation to register, if carrying a transaction without registration.

¹³⁵(2) If a person commits any of the following offences, the tax officer may impose on such a person the sentence of a fine of hundred percent of the claimed amount of tax or of imprisonment for a term not exceeding six months or both:

(a) Preparing a false account, invoice or other document,

(b) Evading tax by committing a fraud,

(c) If an unregistered person acts as if he or she were a registered person,

(d) Selling on under-invoicing,

(e) Carrying on transaction in violation of Section 30.

¹³⁶(3) An accomplice who, intentionally or recklessly, aids or abets or entices or advises any person committing any offence mentioned in this Act shall be liable to a fine of fifty percent of the tax paid less by such person.

¹³⁷ 29A. Power of Department to order for deposit of fine: (1) Notwithstanding anything contained elsewhere in this Act, if any person admits in writing the commission of one or more than one

¹³⁴ Inserted by the Financial Act, 2020.

¹³⁵ Amended by Financial Act, 2018.

¹³⁶ Inserted by the Financial Act, 2018.

¹³⁷ Inserted by the Financial Act, 2018.

offence as mentioned in sub-section (2) of Section 29 prior to the commencement of action, the Department may order such person to deposit the amount fine not exceeding the amount of fine imposable for the commission of such offence.

(2) The Department shall mention the description of the offence, amount of fine to be paid and the date for payment of the fine in in the order to be made pursuant to sub-section (1).

(3) The order made by the Department pursuant to this Section shall be final.

¹³⁸29B. Concerned officer to be responsible: (1) If any body does not comply with any matter to be complied with under this Act, every employee of such body working as its officer at that time shall be responsible for such act.

(2) Any body that does not pay the tax within the specified period, every officer working for the time being or before six months shall be deemed to be responsible jointly or severally for the payment of such tax.

(3) Notwithstanding anything contained in sub-sections (1) and (2), the said sub-sections shall not apply to the following circumstances:

- (a) In the case of commission of such offence by that body without notice or approval of such person, and
- (b) In the case where that person is found to have applied or exercised such care, labour and skill as

¹³⁸ Inserted by the Financial Act, 2018.

may be applied or exercised by a person of common human reason to prevent such offence.

(4) If any person deposits tax pursuant to sub-section (2), that person may act as follows:

(a) To recover such amount paid by him or her from such body,

(b) For the purpose of clause (a), to keep under his or her control the property of such body which is or may come under his or her control, not exceeding the amount so deposited.

(5) If any person takes control of any property pursuant to clause (b) of sub-section (4), no such body or other person may make any claim against such person.

Explanation: For the purpose of this Section, "concerned officer" means the manager of such body or a person working in that capacity.

30. Suspension of transactions: If a registered person commits any of the offences mentioned in Section 29 for two or more times, the Director General may order the tax officer to suspend such person's place of transaction for up to seven days so that transaction is not carried out during that period.

¹³⁹30A. Power to order for re-assessment of tax: (1) The Director General may, clearly setting out the reason and executing a memorandum, order the concerned tax officer or any other tax officer to make re-

¹³⁹ Inserted by the Financial Act, 2018.

assessment of the tax if it appears from the information received by the Director General that, prior to its assessment, any action related to such tax assessment has become irregular or is going to be irregular.

(2) The Director General may, within four years of the date of initial tax assessment, order for amendment in the tax assessment order if it appears that there has been reduction in tax liability as a result of recklessness or mala fide intention on the part of the tax officer.

31. To have powers as may be exercisable by the court: For the purpose of this Act, the tax officer shall have such powers as may be exercisable by the court with respect to the summoning the presence, taking statement, of the concerned person, examining evidence and requiring the submission of documents.

¹⁴⁰31A. Power to make application for administrative review: (1) A person who is not satisfied with the decision of tax assessment made by the tax officer may make an application to the Director General against such decision within thirty days of the receipt of information of such decision.

(2) If the time limit for making an application under subsection (1) expires, such person may, within seven days of such expiration of the time limit, make an application to the Director General for the extension of the time limit, setting out the reason for such expiration, and the Director General may extend the time

¹⁴⁰ Amended by the Financial Act, 2018.

limit for thirty days from the date of such expiration if the reason mentioned in the application appears reasonable.

(3) The Director may, clearly setting out the reason and executing a memorandum, give an order to the concerned tax officer or any other tax officer to void such tax assessment order and make reassessment of tax if the applicant's claim seems to be true upon examination of the application made by the taxpayer pursuant to sub-section (1).

(4) The Director General shall decide the application within sixty days of the date on which it was made pursuant to sub-section (1).

(5) The concerned person may make an appeal to the Revenue Tribunal pursuant to Section 32 if the Director General does not make decision within the time limit referred to in sub-section (4).

(6) The taxpayer who makes an application pursuant to sub-section (1) shall pay the undisputed amount of tax out of the amount of tax assessed, and deposit ¹⁴¹one fourth of the disputed amount.

(7) If the amount to be deposited ¹⁴²pursuant to sub-section (6) has been deposited in excess prior to the making of application, only the amount that remains upon deducting the amount covered by such amount needs to be deposited.

¹⁴¹ Amended by the Financial Act, 2019.

¹⁴² Amended by the Financial Act, 2020.

(8) The amount deposited under this Section shall not be refunded until the case is finally settled.

¹⁴³32. Appeal to the Revenue Tribunal: (1) A person who is not satisfied with the order of suspension made by the Director General under Section 30 or decision made by the Director General under Sub-section (4) of Section 31A may make an appeal to the Revenue Tribunal.

(2) The person who makes appeal pursuant to sub-section (1) shall inform the Department in writing, enclosing the copy of memorandum of appeal within fifteen days of the date of registration of such appeal.

¹⁴⁴32A. Advance ruling: (1) If any person makes an application in writing to the Department for the avoidance of any doubt as to the application of this Act, the Department may issue its opinion through an advance ruling as prescribed, and inform such person thereof in writing.

(2) Notwithstanding anything contained in sub-section (1), the Department may not issue any advance ruling referred to in sub-section (1) if any matter concerning any doubt as to the implementation of this Act is sub judice in the court or has already been decided by the court.

¹⁴⁵32B. Public circular: (1) The Department may issue public written circulars along with interpretations about the provisions of this

¹⁴³ Amended by the Financial Act, 2018.

¹⁴⁴ Inserted by the Financial Act, 2018.

¹⁴⁵ Inserted by the Financial Act, 2018.

Act in order to make the tax administration simple by applying the Act uniformly and to provide guidelines to the officers of the Department or subordinate offices and persons affected by this Act.

(2) The Department may publish the circulars issued under sub-section (1) on its website or ¹⁴⁶in a newspaper of national level or other electronic media for information of the public.

(3) The Department shall be bound to take action pursuant to any circular issued under sub-section (1) until such circular is cancelled.

¹⁴⁷33. Security to be deposited: (1) Upon filing an appeal to the Revenue Tribunal, fifty percent of the disputed tax amount and fine amount or a bank guarantee of such amount shall be furnished after deposition of the undisputed tax amount from the tax assessed.

(2) Upon calculation of the amount or bank guarantee to be furnished, twenty- five percent of tax amount furnished in the Inland Revenue Department for administrative review shall be included.

34. Delegation of power: (1) Except for the powers to make tax assessment and impose punishment, the tax officer may delegate all or any of the powers conferred on him or her by this Act to his or her subordinate employees.

¹⁴⁶ Amended by the Financial Act, 2021.

¹⁴⁷ Amended by the Financial Act, 2021.

(2) No such power as specified in this Act to be exercised by the Director General may be delegated.

¹⁴⁸34A. Power to obtain expert's service: The Government of Nepal or Department may obtain the concerned expert's service for tax examination, investigation or management related work, and the provision of governmental confidentiality mentioned in Section 37 shall be applicable to such expert.

35. Identity card of tax officer: Each tax officer shall keep with him or her such identity card as prescribed and ¹⁴⁹the identity card has to be shown to the concerned person in the course of performing duty.

36. Serving of notice: Any notice, order or document issued by the Director General or the tax officer shall be considered to have been served on a taxpayer after the procedure, as prescribed, has been completed.

37. Confidentiality: No document or other information related with tax received from any person shall be disclosed or published except in the following circumstances:

(a) To inform the revenue collecting officer in connection with the protection of the revenue of the Government of Nepal,

¹⁴⁸ Inserted by the Financial Act, 2018.

¹⁴⁹ Amended by First Amendment.

- (b) To produce in the court in accordance with the law related to revenue in connection with certification of the liability of a tax payer,
- (c) To keep as a part of public records in the course of proceedings of the Revenue Tribunal or court.

38. Tax officer to be punished: If the Director General decides that tax assessment was so made maliciously or recklessly that the tax amount was reduced or increased, he or she shall initiate departmental action against the assessing tax officer in accordance with the law related with his or her conditions of service.

Provided that a reasonable opportunity shall be given to the tax officer to submit his or her clarification.

39. No responsibility for act done in good faith: Notwithstanding anything contained elsewhere in this Act, no tax officer shall be personally responsible for any act which he or she has done in good faith in the course of discharging his or her duties.

40.¹⁵⁰ Reward and informer expense: (1) A person who provides information with evidence showing that a taxpayer has evaded or attempted to evade all or some portions of tax may, by a decision of the Director General, be provided with a reward in an amount that is equal to twenty percent of the amount of tax recovered on the basis of that information.

¹⁵⁰ Amended by the Financial Act, 2018.

(2) If there are more than one informer entitled to reward, the amount of reward shall be given on pro rata basis.

(3) Notwithstanding anything contained in sub-section (1), a person who provides information of revenue leakage may be provided immediately with a sum not exceeding ten thousand rupees as the informer expense, on the basis of truthfulness of the information.

(4) The name, surname and address of the person providing information referred to in sub-sections (1) and (3) shall be kept confidential.

41. Power to frame Rules: The Government of Nepal may frame Rules to implement the objectives of this Act.
42. Alteration in schedule: The Government of Nepal may, by a notification in the Nepal Gazette, make required alteration in the schedule.
43. Other matters to be governed by prevailing law: The matters contained in this Act and the Rules framed under this Act shall be governed accordingly, and the other matters shall be governed by the prevailing law.
44. Repeal and saving: (1) The following Acts are hereby repealed:
 - (a) The Sales Tax Act, 2023 (1967).
 - (b) The Hotel Tax Act, 2018 (1962).
 - (c) The Contract Tax Act, 2023 (1967).
 - (d) The Entertainment Act, 2016 (1960).

(2) The acts and actions performed under the Acts repealed pursuant to sub-section (1) shall be deemed to have been performed under this Act.