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Nepal – New Partial Budget Makes No Changes to Taxation

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For last year's story on rates/thresholds and other changes to Nepal's personal taxation regime, see [Flash International Executive Alert 2011-025](#), 2 February 2011.

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Mr. Barsha Man Pun, Finance Minister in Nepal's caretaker government, presented a partial budget for the first four months of the fiscal year 2012-13 on 15 July 2012, by means of an ordinance.¹ In this partial budget, the caretaker government had no authority to make changes to the country's system of direct and indirect taxation, and it did not make any policy announcements.

Therefore, all rates applicable for the fiscal year 2011-12 continue for the fiscal year 2012-13 until a full budget is presented. The tax on income of nonresidents continues to be levied at 25 percent. For all other taxpayers, income is taxed as follows:

	Tax rates	Individual (NPR)	Couple (NPR)
a	1%	160,000	200,000
b	15%	160,000 to 260,000	200,000 to 300,000
c	25%	260,001 to 2,500,000	260,001 to 2,500,000
d	25%	On amount in excess of 2,500,000	On amount in excess of 2,500,000
e	40%	Additional tax on tax computed as per (d) above where taxable income of individual exceeds 2.5 million per annum	

Next Steps

The full budget is expected to be submitted through an ordinance by a new government to be formed through consensus of all the political parties of Nepal. Negotiations amongst the political parties are ongoing and the full budget is expected to be presented no later than 14 November 2012.

Footnote:

1 For further information, see the Ministry of Finance Web site at: <http://www.mof.gov.np>, or the Web site for the IRD at: <http://www.ird.gov.np/ird/index/index.php>.

For further information or assistance, contact your local IES professional or Shashi Satyal with T R Upadhy & Co in Kathmandu at ssatyal@trunco.com.np.

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