Government of Nepal
Ministry of Finance
Inland Revenue Department

Provisions regarding Advance Tax Withholding on Payments pursuant to Sections 87, 88, 88A and 89 of the Income Tax Act, 2058, and Advance Tax Collection pursuant to Section 95A

(2083/084)

Relevant Section	Payment Subject to Tax Withholding	Tax Withholding Rate %
Section 87(1)	Employment income (remuneration)	At the rate prescribed in Section 1 of Schedule-1
Section 88(1)	Payment of interest sourced in Nepal	15
Section 88(1)	Payment of natural resource, royalty, service charge, commission, sales bonus, retirement payment, etc., sourced in Nepal	15
Section 88(1) / 92(1)(j)	Meeting allowance; payment for teaching conducted on an occasional basis; payment for preparing question papers or checking answer scripts	15
Section 88(1)(1)	Payment remaining after deducting from retirement payment made by the Government of Nepal or contribution-based retirement payment made from an approved retirement fund the higher of Rs. 500,000/- or 50 percent of the payment amount	5
Section 88(1)(2)	Commission paid by a resident employment company to a non-resident person	5
Section 88(1)(3)	Payment of amount for aircraft lease	10
Section 88(1)(4)	Service charge paid to a resident person registered for Value Added Tax, or service charge paid to a resident entity conducting transactions exempt from Value Added Tax	1.5
Section 88(1)(5)	Rent payment sourced in Nepal made by a resident person	10

Section 88(1)(5)(a)	Amount paid as rent of a vehicle to a person registered for Value Added Tax and carrying on the business of renting vehicles	1.5
Section 88(1)(6)	Return distributed by a collective investment fund (mutual fund): - To a natural person - To another person	 5 15

Relevant Section	Payment Subject to Tax Withholding	Tax Withholding Rate %
Section 88(1)(7)	Payment made by a resident person for use of satellite, bandwidth, optical fiber, telecommunication-related equipment or electricity transmission line	10
Section 88(1)(8)	Payment amount for transportation service and for renting transportation equipment However, amount paid to a person registered for Value Added Tax and providing transportation service or carrying on the business of renting transportation equipment	2.5 1.5
Section 88(1)(9)	Interest payment by a resident bank and financial institution on a foreign-currency loan taken from a foreign bank or other financial institution for investment in the sector prescribed by Nepal Rastra Bank	5

Section 88(1)(9A)	Interest payment on a foreign-currency loan taken from a foreign financial institution by a reservoir and semi-reservoir hydropower project above 200 megawatts whose financial closure is completed by the month of Chaitra 2082	5
Section 88(1)(11)	Payment to a foreign school or university for registration fee, tuition fee and examination fee	5
Section 88(1)(12)	Interest paid by a resident bank and financial institution to a life insurance company on deposits	5
Section 88(1)(13)	Royalty payment to a resident person for literary writing or composition	1.5
Section 88(1)(14)	On service charge or commission paid to an insurance agent who is a resident natural person	20
Section 88(2)(a)	Dividend	5
Section 88(2)(b)	Return on investment insurance	5
Section 88(2)(c)	Payment of benefit from an unapproved retirement fund	5
Section 88(3)	Interest paid by a resident bank, financial institution, cooperative or any other entity issuing debentures, or by a company listed under prevailing law, to a natural person on deposits, debentures and government bonds, where the source is in Nepal and the payment is not related to business operation	6
Section 88A(1)	Windfall gain	25

Relevant Section	Payment / Amount	Tax Withholding / Collection Rate %
Section 89(1)	Payment of more than Rs. 50,000/- for a contract or agreement	1.5
Section 89(3)(a)	Under a contract or agreement in which payment is made to a non-resident person	5
Section 89(3)(b)	Premium payable to a non-resident insurance company or commission paid from premium received from a non-resident insurance company for reinsurance	1.5
Section 89(3)(c)	Other payment to a non-resident person	As notified in writing by the Department
Section 88(1)(5)(b)	Amount received by a natural person as house rent	No tax withholding required
Section 88(1)(10)	Incentive amount provided to a consumer for payment through electronic payment instruments such as payment card, e-money (wallet), mobile banking, etc., when purchasing goods and services under prevailing law	No tax withholding required
Section 88(4)(a)	Any payment other than payment related to business operation made by a natural person	No tax withholding required
Section 88(4)(a1)	Payment for an article or composition published in a newspaper	No tax withholding required
Section 88(4)(b)	Interest paid to a resident bank or other resident financial institution	No tax withholding required
Section 88(4)(b1)	Interest paid by a cooperative bank and cooperative federation/institution to each other for lending investment	No tax withholding required
Section 88(4)(c)	Tax-exempt payment	No tax withholding required
Section 88(4)(d)	Interregional interchange fee paid to a bank issuing a credit card	No tax withholding required

Section 88A(2)	National and international awards up to five hundred thousand rupees received for contribution to the fields of literature, art, culture, sports, journalism, science, technology, agriculture and public administration. However, if the award amount exceeds five hundred thousand rupees, on the amount exceeding five hundred thousand rupees	No tax withholding required 25
Section 95A(1)	Advance tax to be collected by the entity operating Commodity Futures Market service on profit and gain received from that business by a person trading under the Commodity Futures Market	10

Relevant Section	Payment / Amount	Tax Rate %
Section 95A(2)(a)	Payment of gain received from disposal of interest in an entity listed with the Nepal Securities Board, in the case of a resident natural person, on gain from an interest held for a period exceeding 365 days	7.5
Section 95A(2)(a)	Payment of gain received from disposal of interest in an entity listed with the Nepal Securities Board, in the case of a resident natural person, on gain from an interest held for 365 days or less	10
Section 95A(2)(a)	Payment of gain received from disposal of interest in an entity listed with the Nepal Securities Board, in the case of a resident entity	10

Section 95A(2)(a)	Payment of gain received from disposal of interest in an entity listed with the Nepal Securities Board, in other cases	25
Section 95A(2)(b)	Payment of gain received from disposal of interest in an entity not listed with the Nepal Securities Board, in the case of a resident natural person	10
Section 95A(2)(b)	Payment of gain received from disposal of interest in an entity not listed with the Nepal Securities Board, in the case of a resident entity	15
Section 95A(2)(b)	Payment of gain received from disposal of interest in an entity not listed with the Nepal Securities Board, in other cases	25
Section 95A(5)(a)	Capital gain arising from disposal of land or private building of a natural person where the property has been owned for five years or more	7.5
Section 95A(5)(a1)	In the case of non-business taxable property (land and building) compulsorily disposed of because land of a natural person is acquired by a decision of the Government of Nepal, at the rate of two point five percent	2.5
Section 95A(5)(b)	Capital gain arising from disposal of land or private building of a natural person where the property has been owned for less than five years	10
Section 95A(5A)	Notwithstanding anything written in Sub-section (5), when a natural person provides land or private building owned by him/her free of charge to the Government of Nepal, Provincial Government or Local Level, capital gains tax shall not be levied on disposal of such land or private building	Capital gains tax not applicable

Section 95A(6)	On the disposal value of land or building owned by any person other than as mentioned in Section 95A(5)	1.5
Section 95A(6A)	At the time a resident bank or financial institution provides foreign currency exchange facility to a student going abroad for study for the amount of language examination and standardized test fee	15

Relevant Section	Payment / Amount	Tax Rate %
Section 95A(6B)	If any resident natural person not engaged in business operation receives payment in foreign currency for providing software or other electronic services of similar nature outside Nepal, the concerned bank, financial institution and money transfer institution shall, when making such payment, levy tax on the amount received	5
Section 95A(6C)	If any resident natural person not engaged in business operation receives any payment in foreign currency for personally providing consultancy service outside Nepal, the concerned bank, financial institution and money transfer institution shall, when making such payment, levy tax on the amount received	5
Section 95A(6D)	If a resident natural person not engaged in business operation receives payment in foreign currency for uploading audio-visual material on social media, the concerned bank, financial institution and money transfer institution shall, when making such payment, levy tax on the amount received	5
Section 95A(6E)	When a resident electronic commerce operator pays, to a person affiliated with its platform who provides any goods, service, or goods and services, the amount for sale of goods, services, or goods and services	1

Section 95A(6F)	On the amount paid by a resident person operating a ride-sharing service (ride-sharing operator) to a natural person affiliated with its platform for providing a service	1

<u>Payments Subject to Final Tax Withholding (Section 92)</u>

The following payments shall be considered payments subject to final tax withholding:

(a) Dividend paid by a resident company or partnership firm,

(b) Rent paid to a natural person other than one operating a business for land or house and fixtures and equipment attached thereto, sourced in Nepal,

(c) Return paid by a resident person on investment insurance,

(d) Return paid by a resident person on an interest in an unapproved retirement fund,

(e) Interest paid by the bank, financial institution or any other entity issuing debentures mentioned in Sub-section (3) of Section 88, or by a company or cooperative listed under prevailing law, as follows:

(1) Interest paid to a natural person whose source is in Nepal and which is not related to business operation.

(2) Payment made to an institution entitled to tax exemption pursuant to Clause (dh) of Section 2.

(f) Payments subject to tax withholding made to a non-resident person pursuant to Sections 87, 88, 88A or 89,

(g) All types of retirement payments paid by the Government of Nepal or an approved retirement fund or an unapproved retirement fund, including retirement payments (except regularly paid pension),

(h) Meeting allowance up to twenty thousand rupees per meeting; payment for teaching conducted on an occasional basis; payment for preparing question papers or checking answer scripts,

(i) Payment for windfall gain,

(j) Return amount distributed by a collective investment fund (mutual fund) to a natural person,

(j1) Gain amount of a resident natural person and non-resident person who do not wish to submit income statements pursuant to Sub-sections (2) and (5) of Section 95A, payment in foreign currency pursuant to Sub-sections (6B), (6C) and (6D), and payment for service pursuant to Sub-section (6E),

(j2) Service charge or commission paid by a resident natural person to an insurance agent,

(k) Payment for rent of a vehicle or transportation equipment or for transportation service made by a natural person filing tax pursuant to Sub-section (13) of Section 1 of Schedule-1.