
Date of Royal Assent and Publication:

2031-7-5 (21 Oct. 1974)

Amendments:
1. Income Tax (First Amendment) Act, 2034 (1977) 2034-5-22 (7 Sep. 1977)
2. Income Tax (Second Amendment) Act, 2036(1979) 2036-8-5 (21 Nov. 1979)
5. Income Tax (Fifth Amendment) Act, 2042 (1985) 2042-6-23 (9 Oct. 1985)
10. Income (Eighth Amendment) Act, 2049 (1992) 2050-3-10 (24 June 1993)

Act Number 23 of 2031 (1974)

An Act to Consolidate and Amend the Law Relating to Income Tax

Preamble: Whereas, it is expedient to consolidate and amend the law relating to income tax.

Now, therefore, be it enacted by His Majesty King Birendra Bir Bikram Shah Dev on the advice and with the consent of the Rastriya Panchayat.

1. Short Title, Extent and Commencement: (1) This Act may be called "Income Tax Act, 2031 (1974)".

(2) This Act shall extend throughout the Kingdom of Nepal.

(3) It shall come into force immediately.

2. Definition: In this Act, unless the subject or context otherwise requires,

(a) "Income" means the income earned or derived in cash or in kind from sources mentioned in section 5.

(b) "Tax" means the tax assessed or assessable pursuant to the provision of this Act or the existing Nepal Law and shall include any fine, fee, and additional fee imposed or liable to be imposed according to this Act or the existing Nepal Law or any security deposit required to be made pursuant to Section 35.

(c) "Taxpayer" means a person who is liable to pay income tax under this Act or any other existing Nepal Law or such person on whom a notice is served or any action is taken by the Tax Officer under this Act.

(d) "Year of income" means the period in which a person keeps account of his/her income and expenditure or such period in

1 Amended by Income Tax (First Amendment) Act, 2034.
which he computes income and expenditure in respect of his/her business or transaction under Section 49.

(e) "Assessment of Tax" denotes the provisional assessment, advance assessment, reassessment, supplementary assessment, self tax assessment, tax assessment order of the Tax officer by making some alteration on the self assessment and any order made requiring security deposit pursuant to Section 35.

(f) "Tax Officer" means an officer appointed by His Majesty's Government as Tax Officer, Senior Tax Officer, Chief Tax Officer or such other Officer as may be appointed by His Majesty's Government to exercise the power of a Tax Officer.

(g) "Firm" means a firm whether registered or not in accordance with the existing Nepal law and shall also include a partnership firm.

(h) "Company" means a body corporate or a company formed under the existing Companies Act or any other existing Nepal law and includes any foreign association whether incorporate or not under any other laws which the Director General may, by a general or specific order, designate to be a company for the purposes of this Act.

(i) "Principal Officer" with reference to a company, firm or any other public association means-

1. The secretary, treasurer, proprietor, administrator, manager, agent, managing director, working director or managing agent of such company, firm or public association.

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2 Inserted by Income Tax (Eighth Amendment) Act, 2050.
3 Inserted by Income Tax (Eighth Amendment) Act, 2050.
4 Amended by Income Tax (First Amendment) Act, 2034.
5 Amended by Income Tax (Third Amendment) Act, 2037.
(2) In case the person so mentioned in Clause (1) is either nonexistent or unavailable, any other person connected with the company, firm or public association upon whom the Tax Officer has served a notice treating him as the principal officer thereof.

(j) "Agricultural Income" means the income chargeable to tax under Clause (a) of Section 5.

(j1) "Agriculture" means the work which produces directly from land.

(k) "Income of Remuneration" means the income chargeable to tax under Clause (c) of Section 5.

(l) "Income from industry, trade, profession or occupation" means the income chargeable to tax under Clause (b) of Section 5.

(m) "Income from building or "land rent" means the income chargeable to tax under Clause (d) of Section 5.

(m1) "Gross Income" denotes the amount to be gained by deducting the direct expenses from the transaction of Taxpayer.

(n) "Net Income" means the income of any person less the reliefs to which he is entitled under this act and these words shall also include the net income as assessed pursuant to Sub-section (2) of Section 33.

(n1) "Pre-operation Cost" means the technical advising expenses, supervising expenses, interest of loan, study and research expenses, publicity expenses, the expenses concerned with registration and license incurred to be capitalized prior to

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6 Inserted by Income Tax (Eighth Amendment) Act, 2050.
7 Inserted by Income Tax (Eighth Amendment) Act, 2050.
8 Amended by Income Tax (Fourth Amendment) Act, 2041.
9 Inserted by Income Tax (Seventh Amendment) Act, 2046.
commencement of transaction and other real expenditures to be incurred to operate business.

Provided that, the following amount shall not be deemed to the pre-operation cost.

(a) The amount of expenditure spent to be fixed capital included to the properties in the balance-sheet;

(b) The amount given in advance as to reimburse and to adjust in the expenditure.

(o) "Person" includes any form, company or association.

(p) "Married couple" means a husband and wife having a valid matrimonial relationship.

Provided that, no couple shall be regarded as a married couple if they are actually living separately following a divorce, partition or separation granted by an order of a competent court.

(q) "Family" means a husband and wife and includes minor sons and daughters whether separated or not, so long as the mother or the father of such children is living.

(r) "Loss" means the loss as revealed while computing profits or gains.

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

(t) "Philanthropic Work" means any religious work or any work for the relief of distressed persons, or any educational or medical aid or reform or any other similar work which is carried out in the

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10 Amended by Income Tax (Third Amendment) Act, 2037.
Kingdom of Nepal for the benefit of the general public without profit motive.

(u) "Non-resident" includes-

(a) A person who has resided in the Kingdom of Nepal for a period of not more than 11One Hundred and Eighty Three days in any fiscal year; or

(b) A person who is residing outside the Kingdom of Nepal and is acquiring or earning income from the Kingdom of Nepal, or

(c) A firm or a company operating as a branch or sub-branch of a foreign firm or company or controlled or managed by such firm or company, whether registered or not, under any existing Nepal law.

(v) "Prescribed" or "as may be prescribed" means prescribed or as may be prescribed by Rules framed under this Act.

3. **Appointment of Tax Officers and Delegation of Authority:** (1) His Majesty's Government may appoint such number of Tax Officers as may be necessary for the purposes of this Act.

(2) The jurisdiction of a Tax Officer shall be as specified by His Majesty's Government. His Majesty's Government, if thinks necessary, may authorise any Tax Officer to exercise powers which are under the jurisdiction of any other Tax Officer.

(3) The Tax Officers appointed before the commencement of this Act shall be deemed to have been appointed under this Act.

11 Amended by Income Tax (Seventh Amendment) Act, 2046.
(4) A Tax Officer may delegate any or all of his/her power to his/her sub-ordinate to be exercised under his general supervision and control.

(5) His Majesty's Government may delegate any or all of the powers conferred on it by this Act to the Director General or any other Tax Officer.

(6) The Tax Officer shall comply with specific instructions of His Majesty's Government, if any, on matters related to the delegation of power by such Tax Officer to his sub-ordinate.

4. **Assessment and Collection of Income Tax:** Where any provision is made in any Act for the imposition of income tax annually or for a specific year, such income tax shall be assessed and collected in accordance with the provisions of this Act and the Rules made thereunder from every Taxpayer upon his/her earned or acquired income of the preceding year of income at such rate as may be in force on the last day of such year of income. Such income tax shall be assessed and collected upon the joint income of all the members of a family unit which may be specified as taxable under the existing Nepal laws.

5. **Classification of Heads of Income:** For the purpose of assessment, income shall be classified under the following heads:

   (a) Agriculture;

   (b) Industry, trade, profession or occupation;

   (c) Remuneration;

   (d) Building or land rent;

   (e) Other sources.
5a. **Registration Required:** (1) Any person, intending to carry on any industry, trade, profession or occupation shall, if any law relative to private firm, partnership, company or any other existing Nepal law requires the registration, submit application in the prescribed form with the concerned Tax Office and obtain registration of such industry, trade, profession or occupation.

(2) Any person carrying on any industry, trade, profession or occupation at the date of commencement of this Section shall apply pursuant to the provisions of Sub-section (1) above for registration thereof within 120 days of the date of commencement of this Section.

(3) The Tax Officer shall provide to the person applying for registration in pursuance of the provision of Sub-section (1) or (2) above, certificate of registration in the prescribed form after completion of the registration of the concerned industry, trade, profession or occupation.

(4) Any person ceasing to carry on or winding up any industry, trade, profession or occupation, registered pursuant to Sub-section (3) above, shall notify the concerned Tax Officer within 35 days of such cessation or winding up. The Tax Officer upon receipt of such notice shall, if satisfied on verification of the notice, issue order of cancellation of such industry, trade, profession or occupation within three months.

(5) The person who receives the certificate pursuant to Sub-section (3) shall within three months from the beginning of each fiscal year, apply to the concerned Tax Office for renewal of registration and the Tax Officer shall renew the registration and record the same in the certificate.

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12 Inserted by Income Tax (First Amendment) Act, 2034.
13 Deleted by Income Tax (Fourth Amendment) Act, 2041.
14 Inserted by Income Tax (Fourth Amendment) Act, 2041.
(6) The Tax Officer may ask for the deposit or money or surety, if think necessary, while awarding the certificate pursuant to Sub-section (3) to the non-resident or the non Nepalese Citizen.

5b. **Submission of the Certificate of Registration:** His Majesty's Government may to be made submission the certificate of registration pursuant to Sub-section (3) of Section 5a. to the tax payer to perform any business or transaction.

6. **Income Chargeable to Tax:** Income Tax shall be charged to the net-income of a person acquired or earned in the Kingdom of Nepal or to the income acquired or earned in any foreign country through a transaction doing in the kingdom of Nepal from any or all of the resources mentioned in Section 5 within a year of income after making deduction to which he is entitled under this Act.

Provided that, in case of a non resident person, income tax shall be charged on this net income acquired or earned in the kingdom of Nepal and such other net income as may be acquired from the kingdom of Nepal residing in any foreign country.

**Explanation:** For the purpose of this Section, "acquired" means an increments in the income of the Tax payer or an income as recorded in the account.

6a. **Expenses Pertaining to Non-Taxable Income not to be Deductible:** Expenses made concerning any income, received or earned which according to this Act or any existing Nepal laws is not taxable, shall not be deducted for the purpose of assessment of income of a person.

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15 Inserted by Income Tax (Fourth Amendment) Act, 2041.
16 Inserted by Income Tax (Fourth Amendment) Act, 2041.
17 Amended by Income Tax (Eighth Amendment) Act, 2050.
18 Inserted by Income Tax (Fourth Amendment) Act, 2041.
19 Inserted by Income Tax (First Amendment) Act, 2034.
Provided that, if it is not sure of such expenses to be incurred in taxable or non taxable income, the Tax Officer shall proportionately assess such matter and shall not exempt the expenses incurred in non taxable income.

7. **Income from Industry, Trade, Profession or Occupation**: For the purpose of computing income of any person from industry, trade, profession or occupation for any year of income, the income of such person shall include all profits or gains made by him/her from such industry, trade, profession or occupation for that year and shall include:-

(a) Any amount received in such year of income under any contract of insurance under such other contract against loss of profits or any other amount received by way of compensation for loss of profits;

(b) Where, for the purpose of computing net income or loss for any year of income any expenditure has been deducted or a deduction in respect of any reserve is set aside and if no expenditure is incurred out of this reserve, the amount which is not so expended;

(c) Where any barred debt is recovered after being granted remission, the amount so recovered;

(d) Where any income for any year of income is received by any person after the cessation of an industry, trade, profession or occupation the income so received;

(e) Where any person received any benefit or perquisite, whether convertible into cash or not, out of his business in any year of

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20 Inserted by Income Tax (Eighth Amendment) Act, 2050.
21 Amended by Income Tax (First Amendment) Act, 2034.
income, the amount to be equivalent to the market value of such benefit or perquisite;

(f) Any amount in the form of commission, fee, charge or any other similar amount received by any person for any service or work done by him in the exercise of his profession or occupation;

(g) Any amount in the form of commission, fee, charge or any other similar amount to be received from time to time by any professional person for rendering such services as may be necessary;

(h) Any amount in the form of commission, fee, charge or any other similar amount received by any person for exhibiting or imparting his talent, knowledge, expertise or experience or by providing someone with opinion, advice, consultation, inspection, tests, control, training, study or research.

(i) Except for the private residential area prescribed by His Majesty's Government by a notification published in the Nepal Gazette, the income acquired from sale of house or the land which is built or purchased with commercial purpose.

**Explanation:** For the purpose of this section "private residential house and land" means up to two houses and its premises acquired from inherent property including his own earning, and if so not, it includes the land for two houses.

8. **Computation of Income on Remuneration:** For the purpose of computing income of remuneration of any person, the following income received by him in respect of any employment of service rendered by him/her in any year of income shall be included:-

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22 Amended by Income Tax (Third Amendment) Act, 2037.
(a) Any wages salary, special salary, special allowance, salary in lieu of heave, commission fee, charge, bonus and other perquisites received in cash or kind.

Provided that, the medical allowance, daily or travelling allowance, remote area allowance, pocket allowance or leader allowance received by delegates on a foreign tour, casual expenses, Dashain (the great festival of Hindu community) expenses, any amount received in the form of reimbursement, telephone facility granted by the employer institution and also the gratuity and pension, consolidated home leave, sick leave, decoration, medal awarded by His Majesty's Government, Government corporation, institution devoted to the public utilities and other institution as prescribed shall not be included in the income of remuneration.

Explanation:

(1) For the purpose of this Section "foreign allowance" means the additional amount entitled to obtain in foreign country by exceeding the volume of the amount provided for the personnel of any corporation located in the kingdom of Nepal if the personnel were deputed to any office of a foreign country.

(2) "Remote area allowance" means certain percent of the remuneration prescribed by His majesty's Government in respect of service in a remote place rendered by any personnel.

24 Inserted by Income Tax (Eighth Amendment) Act, 2050.
24 Amended by Income Tax (Third Amendment) Act, 2037.
25 Amended by Income Tax (Eighth Amendment) Act, 2050.
(3) "Dashain Expenses" means the sum equivalent to one month salary received from the employer once in a year.

26(b) Any amount allowed by the Chief Management or any officer authorised by him to any employee or representative for the purpose of making certain expenditure to the benefit or development of his business, profession or occupation, the amount of expenditure which is not evidenced as having been expended.

Provided that, if the amount so allocated is less than Fifty percent of the salary of such employee or representative, the amount of expenditure though not so evidenced shall not be included in the income of remuneration.

(c) Where the liability of paying or expending any amount ordinarily on the employee and if such amount has been paid or expended by his employer, the amount so paid or expended by the employer.

9. Computation of Income on Building or Land Rent: (1) For the purpose of computing income of building and land rent for any year of income the following income shall be included:-

(a) Any amount in the form of premium of additional fee or any other amount of any nature whatsoever as may be received from the tenant in such year of income;

(b) Where any person has permitted any other person to construct a house and to occupy for some period

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26 Amended by Income Tax (Eighth Amendment) Act, 2050.
of time in lieu of payment of rent, the total amount expended on the construction of the house shall be regarded as rent for the entire period for which the house is to be occupied according to the tenancy agreement and the annual rent shall be calculated by dividing this amount by the number of years during which the house is to be so occupied;

(c) The amount of expenses other than water, electricity or telephone charges, which are normally borne by the house-owner, if borne by the tenant.

(2) Where any person lets out his building or land on rent to any other person for any year of income, the amount to be received by the owner as rent shall, unless otherwise proved, be deemed to have been received by the owner.

(3) Any building or land is occupied by a person who pays no rent other than a relative, employee or watchman by the owner if such person who pays a rent of more than Twenty Five Rupees per year, it is requires to be conclude a written agreement between the tenant and the owner and the copies of such agreement shall be submitted to the concerned tax office by the owner within Thirty Five days from the date of concluding the agreement or if the payment of rent is proved to be made at a reduced rate other than what it is to be for such building or land it shall be deemed to be let by such owner at a rent which is prevalent at the locality,

(3a) Notwithstanding anything contained in Sub-section (3), His Majesty's Government may determine the minimum rent on the basis

27 Amended by Income Tax (Sixth Amendment) Act, 2043.
of the process as prescribed by His Majesty's Government by a Notification published in the Nepal Gazette in respect of rent of building and land of the specified area. The excess amount, out of the minimum amount of rent fixed by such manner and the rent as mentioned in the tax return of the Tax payer and the amount to be proved, shall be deemed as the amount of rent.

(4) Where any building or land owned by two or more persons is let out on rent, and the income tax payable by such owners is to be assessed separately, the amount of rent accruing from such jointly owned building or land shall be calculated separately on the basis of their respective share and added to their respective income. Otherwise, the income received out of such lease shall be computed as their joint income.

10. **Computation of Income from Other Sources**: Any income acquired or earned in any year of income from any sources other than agricultural income or those mentioned in Section 7, 8 and 9 shall be deemed to be income of other sources and such income shall include:-

(a) Any amount which any person shows in his accounts as paid or payable to any other person such amount which is not proved by the Taxpayer to have been so paid or to be so payable,

(b) Any investment made by any person where he fails to prove to the satisfaction of the Tax Officer that such investment was made out of any income which is not liable to tax or such investment was made out of any income which has been already charged to tax and where the amount or cost of such investment is not

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28 Inserted by Income Tax (Eighth Amendment) Act, 2050.
29 Inserted by Income Tax (Eighth Amendment) Act, 2050.
ascertainable, an amount determined by the Tax Officer on the basis of the market price.

11. **Method of Computing Net Income from Agriculture**: (1) While computing net income from agriculture, the expenses as prescribed incurred in earning or acquiring such income shall be deducted and the balance shall be deemed to be the net income.

Provided that, where separate provisions are made in any other existing Nepal law with respect to the computation of net income from agriculture, such net income shall be computed in accordance thereto.

(2) Notwithstanding anything contained in Sub-section (1), His Majesty's Government may grant tax remission, to the extent it may deem necessary, on account of flood, drought or any other reasonable cause.

12. **Method of Computing Net Income from Industry, Trade, Profession or Occupation**: (1) In computing net income from industry, trade, profession or occupation the following real expenses, as may be incurred in acquiring or earning income from such source, shall be deducted:

(a) Rent payable in respect of any land or building;

(b) Expenses incurred on repairs of any mechanical equipment, machinery, furniture or such other properties or equipment as may be used for the purpose of earning or acquiring such income;

Provided that, such repairs shall be for the purpose of keeping the equipment in running

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30 Amended by Income Tax (Third Amendment) Act, 2037.
31 Amended by Income Tax (Third Amendment) Act, 2037.
condition or for preventing them from being damaged. Where such repairs result in an increase in the value, life, or working capacity of such equipment or in changing their basic structure, the expenses so incurred shall be regarded as capital expenditure and shall not be deductible.

(c) Interest loans,

Provided that, no interest, exceeding Twenty Thousand Rupees per year payable to other than the corporate body shall be deductible for the transaction which is made without accepted registration.

(d) Rents, land tax, or revenue, customs duty, registration fee, levies or similar other duties payable under existing Nepal laws;

(e) Remuneration paid to employees;

Provided that, where an employee is paid more than Twenty Five Thousand Rupees per month as salary or allowance, any such payment which exceeds Twenty Five Thousand Rupees shall not be deducted unless such excess payment has been approved by His Majesty's Government.

(f) The debt which is considered to have become barred and written off as irrecoverable;

32 Amended by Income Tax (Third Amendment) Act, 2037.
33 Inserted by Income Tax (Seventh Amendment) Act, 2046.
34 Amended by Income Tax (Eighth Amendment) Act, 2050.
35 Inserted by Income Tax (Eighth Amendment) Act, 2050.
(g) Transport or travelling expenses;

(h) Discount, commission;

36(i) Administrative expenses;

(j) The amount of depreciation not exceeding the rate as may be prescribed on the basis of the nature and durability of such machinery and other properties used for the purpose of acquiring or earning income and owned by the Taxpayer;

(j1) An amount of two or one percent in maximum of the gross income as prescribed respectively in lieu of the expenses incurred for advertisement and guest entertainment.

38Provided that, the other expenses including the national or international newspaper, television, radio, cinema, different types of painting, poster, pamphlet, books, calendar, diary etc. incurred for publicity and broadcast shall not be included in the advertisement expenses, and the other expenses incurred for trade promotion shall be deductible under Clause (k) above.

39(j2) The amount equivalent to one fifth of the pre-operation cost in proportionate calculation.

40(k) Other real expenses incurred for earning or receiving income.

36 Amended by Income Tax (Third Amendment) Act, 2037.
37 Inserted by Income Tax (Fourth Amendment) Act, 2041.
38 Inserted by Income Tax (Eighth Amendment) Act, 2050.
39 Inserted by Income Tax (Seventh Amendment) Act, 2046.
(2) Where any income due for any year of income is acquired only in the following year of income, the real expenses incurred in the process of acquiring income under Sub-section (1) shall be regarded as expenses incurred in the year in which it has been acquired and shall be deducted for the purpose of assessing the net income.

12A. Method for the Assessment of Income and Computation of Net Income of Petroleum Industry and Cooperative Institution:
Notwithstanding anything contained in Section 7 and 12, the method for the assessment of income and computation of net income of petroleum industry and cooperative institution shall be as prescribed.

Explanation: For the purpose of this Act “petroleum industry” means the petroleum activities undertaken pursuant to Nepal Petroleum Act, 2040.

13. Method of Computing Net Income of Remuneration: In computing net income of remuneration the following deduction shall be made:

(a) The amount deposited in the provident fund by deducting from the remuneration and the amount added by the employer in such fund.

Provided that, in case of other provided funds except Karmachari Sanchaya Kosh (Provident Fund) such expenses shall be deducted only in the prescribed condition.

40 Inserted by Income Tax (Third Amendment) Act, 2037.
41 Amended by Income Tax (Third Amendment) Act, 2037.
42 Inserted by Income Tax (Fourth Amendment) Act, 2041.
(b) **Five Thousand Rupees** or Fifteen percent, whichever is less, as expenses incurred for other expenditure to be remained amount by deducting the amount pursuant to Clause (a).

**Explanation:** For the purpose of this Clause "other expenses" does not mean to such expenses which is deductible for the assessment of net income as per the other section under this Act.

14. **Method of Computing Net income of Building or Land Rent:** In computing the net income of building or land rent, the following expenditures shall be deducted only to the house and the land from which rent has been received:

(a) An amount equal to **Ten percent** of the total rent where the obligation to repair lies with the owner of the building according to the lease agreement;

(b) The amount of premium paid on the insurance of such building;

(c) The amount of any tax or revenue or any other tax in respect of such building or land;

(d) The certified amount of interest paid on the amount of loan borrowed from any financial institution established under prevailing Nepal laws, for the construction and maintenance of the house which has been given on rent.

(e) A maximum of one month's rent in lieu of the commission if it had to be paid for letting the house in rent.

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43 Inserted by Income Tax (Eighth Amendment) Act, 2050.
44 Amended by Income Tax (Third Amendment) Act, 2037.
45 Inserted by Income Tax (Eighth Amendment) Act, 2050.
46 Inserted by Income Tax (Fourth amendment) Act, 2041.
47 Inserted by Income Tax (Third Amendment) Act, 2037.
48(f) The one third of the amount to be received from the house rent
or the amount to be paid to the owner of the building and land,
whichever is less, if it is proved that any person has let his
building or land on rent and he/she him/herself is living on rent.49

14A. Determination of Rent of Building and Land on the Basis of
Accounts: Notwithstanding anything contained in Section 14, if a
corporate body receiving the income by letting the building and land has
maintained the accounts of the net income acquired therefrom and has
made an audit thereof the net income of the house and land rent may be
assessed by deducting the expenses pursuant to Section 12.

15. Method of Computing Net Income from Other Sources: In
computing the net income of other sources, all real expenses
incurred in the process of acquiring or earning such income shall be
deducted.

Provided that, the total expenses to be deducted under this
Section shall not exceed the total income acquired or earned in such
year of income.

16. Method of Computing Net Income of Insurance Business: (1) In
computing the net income of life insurance business the expenses
incurred under Clause (b) shall be deducted from the income under
Clause (a) and tax shall be assessed on the remaining balance after such
deduction is made:-

(a) Income:-

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48 Inserted by Income Tax (Seventh Amendment) Act, 2046.
49 Inserted by Income Tax (Fourth Amendment) Act, 2046.
50 Inserted by Income Tax (Seventh Amendment) Act, 2046.
51 Amended by Income Tax (Third Amendment) Act, 2037.
52 Amended by Income Tax (Third Amendment) Act, 2037.
(1) Income from investments of life insurance fund;

(2) Income from the sale of investments;

(3) Commission earned through reinsurance.

(b) Expenses:-

(1) The amount of interest set aside for the actuarial reserve;

(2) The amount allocated for payment to the insured with profit insurance policies;

(3) Commission and other administrative expenses.

(2) In computing the net income of insurance business other than life insurance, the expenses incurred under Clause (b) shall be deducted from the income acquired or earned under Clause (a) and tax shall be assessed on the remaining balance after such deduction is made:-

(a) Income:-

(1) Premiums received or receivable;

(2) Income earned out of investments;

(3) Income from the sale of investments;

(4) Income earned through reinsurance;

(5) The unexpended amount of the reserve allowed as possible financial liability for the preceding year of income.
(b) Expenses:-

(1) The amount of compensation paid in consideration of insurance;

(2) Premiums paid or payable on reinsurance;

(3) Commissions incurred and discounts allowed in respect of the insurance business;

(4) The amount of the reserve allotted for unforeseen risks;

(5) Expenses incurred on acquiring income from investments or in the process of making investments;

(6) Other administrative expenses.

17. **Method of Computing Net Income from any other Specific Source**: Notwithstanding anything contained in other sections of this Act, the method of computing the net income from any specific source or transaction chargeable to income tax under this Act or any other existing Nepal law shall be as prescribed or as may be specified by His Majesty's Government in a Notification published in the Nepal Gazette.

17A. **Assessment of Tax of the Small Taxpayer**: Notwithstanding anything contained in other sections of this Act the method and procedure of assessing the Tax of the small Taxpayer having income of a prescribed limit shall be as prescribed.

18. **Provisions Relating to Computation of Net Income by Agreement in Special Cases**: If Director General does not deem it
equitable to compute the net income of any Taxpayer in accordance with the provisions of this Act in relation to the income acquired or earned in any particular manner from business conducted at the international level it may make special arrangements for computing such net income by entering into agreement with such Taxpayer.

19. **Assessment of Income of a Firm**: The income of a firm or a partnership firm having more than one proprietor or partner shall be assessed to tax under this Act in the name of such firm. The tax so assessed shall be collected from the proprietors or partners of such firm.

55 19A. **Assessment of income of Private Limited Company**: Tax shall be assessed under this act on the income of a private limited company and such tax shall be collected from the Chairperson, Managing Director, Working Director, Managing Agent or the person who represent to the Chairperson, Director or agent even if the Company become close or dissolve or not.

20. **Assessment of Income of a Minor or an Incapacitated Person**: The income of a minor or an incapacitated person shall be assessed and charged to tax on his guardian or trustee or any person receiving income on behalf of such minor or incapacitated person.

21. **Assessment of Income of a Married Couple or a Family**: Where income tax is chargeable on the income of a married couple or a family under this Act or any other existing Nepal law, the tax on such income shall be assessed and charged ordinarily according to the following manner:-

(a) The joint income of a married couple shall be assessed and charged on the husband;

55 Inserted by Income Tax (Sixth Amendment) Act, 2043.
(b) The joint income of a family shall be assessed and charged on the head of the family.

22. **Assessment of Income of a Non-Resident**: Where it is not possible to receive a tax return or to assess or charge income tax in relation to any non-resident, income tax shall be assessed and charged on his chief agent or the person engaged in business on behalf of such non-resident in the Kingdom of Nepal. In the absence of such person, the tax may be assessed and charged on the person who is accountable to make payment of such income to the non-resident.

**Explanation**: For the purpose of this section the "chief agent" of a non-resident shall mean a person who receives or is empowered to receive the income of such non-resident.

23. **Assessment of Income of a Deceased Person**: In the case of a deceased person, the income which accrued to him or was received by him prior to his death and which, but for his death, would have been assessed and charged to tax on him, shall be assessed and charged to tax on such of his heirs who derives benefit out of such income in the manner as the deceased person would have been assessed and charged to tax if he had not died.

24. **Provisions Relation to Concealment of Income Through Mutual Agreement**: (1) Where it is proved that two or more persons have acquired or earned income from any business through mutual agreement or close connection and owing to the agreement or connection between them, the course of business is so arranged that it produces to either of the parties no profits or less than what might ordinarily be expected to arise in such business, if there had been no such arrangement or connection, or the main purpose of such agreement or connection was for the purpose of concealment of income or avoidance of liability to
tax, the Tax Officer may compute the profits or gains of such persons to be such amount as other taxpayers are generally expected to make from such business and income tax shall be assessed and charged on the amount so computed.

(2) Where the Tax Officer is satisfied that any person has been engaged in any business in the name of any other person or in a fictitious name but has been exercising actual control over such business and has been appropriating the whole or major portion of the income accruing from such business, such income shall be regarded as the income of that person and tax shall be assessed and charged accordingly.

56(3) In the course of assessment of tax pursuant to Sub-section (2), if the Tax Officer revealed that some body has engaged in any business in the name of any other person, the person who is engaged in such business by proxy and the person whose business was run by others may be made to be present in person and taken enquiry pursuant to Section 45.

25. Deduction of Losses: Where in any year of income any person incurs a loss in his industrial enterprise, trade, profession or occupation, the amount of such loss shall be deducted from the net income of such person in the following year of income and any amount of such loss which cannot be deducted in such year of income shall be carried forward and deducted in computing the income of the following Two years of income.

Provided that,—

56 Inserted by Income Tax (Eighth Amendment) Act, 2050.
57 Inserted by Income Tax (Fourth Amendment) Act, 2041.
(1) The assessment of net losses in relation to the assessment of losses suffered in any year of income shall be done by the tax officer by adopting similar method as is adopted for the assessment of net income. No assessment of net losses shall be done in case the tax return has not been submitted.

(2) Except in the case of petroleum industry the net loss suffered during the period of tax holiday as determined pursuant to prevailing Nepal Law shall not be deducted from the net income of the following period in which the tax is to be levied.

(3) In the case of Petroleum industry the method of deducting losses by carrying it forward shall be as preserved.

(4) The losses is not allowed to deduct from the profit of a year of business if such losses was caused by the failure of the Taxpayer himself to run his business for the whole year.

26. Deduction for Life Insurance Premium: The premium paid on life insurance to a prescribed insurance company shall be deducted in computing the income of a person paying such premium.

Provided that, no more than Seven percent of the amount of insurance shall be deducted as premium expenses.

27. Filing of Return: (1) Every Taxpayer shall submit in the prescribed form a tax return for each of his year of income, within Three months after the end of such year of income, to the Tax Officer.

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58 Inserted by Income Tax (Eighth Amendment) Act, 2050.
59 Amended by Income Tax (Third Amendment) Act, 2037.
Provided that, in case any Taxpayer or his representative under obligation to submit tax return or to pay tax on behalf of such Taxpayer is unable to submit the tax return being in a foreign country or due to illness, or the Taxpayer's accounts not having been finalized or for such other reason, and if such Taxpayer requests for extension of time within the specified time for filing of return, the Tax Officer may allow such extension by a period not exceeding Three months if, in the opinion of the Tax Officer, the request is reasonable.

(2) Where the profit and loss account and balance sheet or any company has not been audited or approved by the annual general meeting of such company within Three months after the end of the year of income, a provisional statement of such account and balance sheet shall be submitted within such time limit.

(2a) In case the accounts of profit and loss and balance sheet relevant to the statement has not approved by the General Meeting and been submitted to the Tax Office within six months from the date of submission of the provisional statement pursuant to Sub-section (2), the Tax officer may take action pursuant to Section 28.

(3) Notwithstanding anything contained in Sub-section (1), any Taxpayer, engaged in any profitable activity for less than a year, shall submit provisional tax return to the Tax Officer before the cessation of such activity.

(4) If those Taxpayers who use to pay tax annually, have not earned a taxable income in a certain year due to the lack of transaction; they shall not have to submit their tax return. They shall have to give

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60 Amended by Income Tax (First Amendment) Act, 2034.
61 Deleted by Income Tax (Eighth Amendment) act, 2050.
62 Inserted by Income Tax (Third Amendment) Act, 2037.
63 Inserted by Income Tax (Third Amendment) Act, 2037.
notice to the concerned tax office within the period of time mentioned in Sub-section (1) stating the reasons for not earning any income.

28. **Power to Require the Submission of the Tax Return:** (1) 64 If the Tax Officer in his opinion, has any doubt on any person on the matter that has income is chargeable to Income Tax under this Act or other existing Nepal Law or if any one has not file of return pursuant to Section 27, he (the Tax Officer) may deliver an order to the person to submit or cause to be filed of return, and the person who has been noticed the order shall submit or cause to be filed of return in the prescribed form by the Tax Officer within Fifteen days from the date of receipt of such order.

Provided that, the Taxpayer who is unable to submit or cause to be submitted such tax return within the aforesaid time limit, shall give notice in writing to that effect within such time as specified in the order and the Tax Officer, if he thinks the cause to be reasonable, may extend the time limit for a period not exceeding one month and 65 no extension shall be granted pursuant to this Sub-section if the period has already been extended for three months pursuant to Sub-section (1) of Section 27.

(2) Where it appears to the Tax Officer that a person may leave the Kingdom of Nepal within the current year of income or immediately after the end of such year and he/she is not likely to return in the near future or that any other person is going to close his/her business, he may issue an order to such person for filing of return within Seven days.

29. **Correction may be Made in the Returns:** (1) Where it comes to the knowledge of a Taxpayer after filing of return that some error or mistake

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64 Inserted by Income Tax (Eighth Amendment) Act, 2050.
65 Inserted by Income Tax (Fourth Amendment) Act, 2037.
has been made in the return he/she may file a corrected return before he received the order of assessment.

Provided that, where such corrected return is filed after the issue of the order of assessment but before the notice is received in relation to the action taken by His Majesty's Government according to Sub-section (1) of Section 56, and where the reassessment or supplementary assessment of tax is made on the basis of such corrected statement ten percent or the tax so assessed shall be chargeable as additional fee.

66 (1a) The Taxpayer may submit the modified statement within three months from the date of submission the return of self tax assessment and the Taxpayer is obliged to pay Twenty Five percent additional fee of the tax on the basis of the statement.

Provided that, no additional fee shall be chargeable if the Taxpayer has submitted the modified statement within One month from the date of filing of the return of self tax assessment by the tax payer and if the modified statement made different of five percent on the amount of tax.

(2) No Taxpayer shall be entitled to submit a corrected tax return under Sub-section (1) for more than once in any year of income.

30. **Annual Statement of Remuneration**: Every head of an office or any other employer shall within the prescribed time limit, deliver or cause to be delivered to the Tax Officer a statement in the prescribed form of the remuneration received by his/her employees including:

(a) The name and address of such employee and the remuneration received by him/her;

(b) The statement of tax deducted in advance.
30A. **Statement Not to be Submitted**: If an institution, where a Taxpayer works, submits the evidence of advance payment of tax chargeable to the Taxpayer who acquires only remuneration income, such Taxpayer is not required to submit the statement of his/her income to the Tax Officer.

31. **Obligation to Provide Required Information**: (1) In case a tax officer requires from any person, firm, company, bank or financial or other institution or any governmental or non-governmental office any information regarding the sources of income of business of any particular Taxpayer, notwithstanding anything contained in the existing law, it shall be the duty of such person, firm, company, bank, financial or other institution or any governmental or non-governmental office to provide the required information to the Tax Officer.

   (2) The information received pursuant to Sub-section (1) shall not be used or disclosed for any purpose except for the assessment of tax.

31A. **Power to Require Submission of Statement**: The Tax Officer may, in connection with the tax return filed pursuant to the provisions of this Act or for the purposes of assessment of tax on any business undertaken for earning income, require the taxpayer to submit the following information to him/her within such specified period which may not be less than Fifteen days:-

   (a) Information regarding books of account of the Taxpayer and other documents of evidence;

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66 Inserted by Income Tax (Eighth Amendment) Act, 2050.
67 Inserted by Income Tax (Eighth Amendment) Act, 2050.
68 Inserted by Income Tax (Eighth Amendment) Act, 2050.
(b) Statement concerning the liabilities, assets, source of income and statement of expenditures of the Taxpayer and other like information which the Tax Officer may deem necessary.

32. **Place for Filing of Return**: Any statement to be submitted by any Taxpayer under this Act shall be delivered in the following manner:-

(a) Where such Taxpayer has previously been submitting of such annual tax return to the tax office, he shall submit in the same tax office.

(b) Where such Taxpayer has not previously submitted such tax return or has changed his/her address, he/she has to file of return to the tax office of the district where such Taxpayer has his/her principal office of activity or income or where he/she has his/her permanent residence.

Provided that, the Director General may specify the Taxpayer the tax office where the statement is to be submitted by any Taxpayer if he has been carrying out his business in more than one place.

33. **Assessment of Tax**:\(^{69}\) (1) The Tax officer shall after receiving the tax return of the Taxpayer, assess the income tax within the year immediately following the year of which the tax return has been received by determining the net income on the basis of that income. In case the tax could not be assessed with in that period, the Tax Officer shall notify the Director General stating the reason thereof. On receiving such notification, the Director General may extend the period by Two years for the purpose of assessing the tax. In case the tax could not be assessed even within the extended period, the Tax Officer shall again

\(^{69}\) Amended by Income Tax (Fourth Amendment) Act, 2041.
notify the Director General by stating the reasons thereof. On receiving such notification the Director General may extend, as needed, from time to time the period of assessment of tax but not exceeding Four years in total within which the tax has to be assessed.

Provided that, in the case of those tax payers whose tax return has already been submitted and the proceeding have already been started the period for the assessment of tax can be extended for Five years within which the tax has to be assessed.

(2) Where a Taxpayer does not submit a file of return or submits a false statement or does not maintain an account of his transaction or maintains such an account which can not be considered to be valid, the Tax Officer may assess the net income of such Taxpayer on any of the following basis:-

(a) The liability, property, the sources and statement of income and expenditure of the Taxpayer.

(b) The report, if any, submitted by the tax inspector concerning the transactions of the Taxpayer within the year for which his income is being assessed.

(c) The report, if any, received by the Tax Officer through the tax inspector concerning the transaction of the Taxpayer of the fiscal year of which the tax is to be assessed.

(d) The assessment of net income of other Taxpayer engaged in such transaction or profession.

(e) The evidence or the facts collected or received by the Tax Officer concerning such Taxpayer.
(f) The information collected by the Tax Officer himself concerning the Taxpayer.

(g) Any other factual report or facts concerning the Taxpayer received in the tax office.

**Explanation:** For the purpose of this Section "false statement" shall mean all or any of the circumstances mentioned in Sub-section (2) of Section 56.

(3) Notwithstanding anything provided in Sub-section (1) and (2) for examination or scrutinising the tax return so submitted, the Tax Officer may assess the net income and the tax chargeable thereon after necessary adjustments by deduction the expenses authorised to be deducted pursuant to the Act which should have been otherwise credited as income under this Act.

(4) While assessing the net income pursuant to Sub-section (2) and (3), the Tax Officer shall, by a written notice containing clearly the basis of such assessment, have to give to the Taxpayer Seven days time allowing him/her to give any statement or produce evidence concerning his income.

(5) The company obliged to submit its statement of income pursuant to Sub-section (2) of Section 27 if submits a temporary statement of his transaction the Tax Officer shall, without prejudice to the provisions of other sections of this Act, make a provisional assessment of the tax on the basis of such statement.
33A. **Provisions Relating to Self Tax Assessment**: (1) The tax payer may, for the assessment of self tax, assess self tax by giving the particulars in the self tax assessment form by determining his net income.

Provided that, those Taxpayer shall assess the self tax of their own income who are obliged to maintain compulsorily the accounts as per the existing law.

(2) In case any mistake is found in the course of investigation of the statement stipulated in the self tax assessment firm or the assessment of tax been made reduced in the opinion of the Taxpayer, the Tax Officer may assess final tax under this Act.

33B. **Prescription for the Method of Self Tax Assessment**: For the determination of the method of self tax assessment the Director General may provide the following provisions:-

(a) To determine the method of self tax assessment.

(b) To specify the form to be submitted with the statement of self Tax assessment.

(c) To classify the Tax payer who compulsorily assesses the self Tax.

(d) To prescribe the grounds of investigation whether self tax assessment is appropriate or not.

33C. **Certification of the Statement of Self Tax Assessment**: For the purpose of self Tax assessment, the filing of return and the books of account relevant thereto are required to be certified by the authorised Auditor which submitting such documents to the Tax Officer.

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70 Inserted by Income Tax (Eighth Amendment) Act, 2050.
71 Inserted by Income Tax (Eighth Amendment) Act, 2050.
72 Inserted by Income Tax (Eighth Amendment) Act, 2050.
34. **Power to Assess the Tax by Reinstituting the Proceedings:**

(1) If before the Assessment of Tax, it is reliably found through the information received by the Director General that any proceeding concerning the Assessment of Tax is likely to be or has become irregular, the Director General may, by recording the specific reasons thereof, direct the concerned Tax Officer to assess the tax by reinstituting the proceeding or may order any other Tax Officer to do that work.

(2) If within Thirty Five days of the receipt of the tax assessment order an application is filled by the Taxpayer alleging that the tax liability has increased due to the non-fulfillment or irregularity or negligence in the observance of any matter by the Officer concerning the Assessment of Tax and if it is found true after examination, the Director General may cancel that tax assessment order by recording the reasons thereof and may order the reassessment of the tax. In case of passing such order to reassess the tax, the Director General shall have to inform His Majesty's Government within Three days of such order.

Provided that, the Director General shall not pass order pursuant to this Sub-section in case the appeal pursuant to Section 27 is filled against the tax assessment order.

74 (2a) The Tax payer who applies pursuant to Sub-section (2) shall have to deposit one third of the amount of 75 the dues.

76 Provided that, in reference to the matter which has not any dispute in connection with the assessment of tax, the total amount of the assessed tax shall be paid.

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73 Amended by Income Tax (Second Amendment) Act, 2036.
74 Inserted by Income Tax (Fourth Amendment) Act, 2041.
75 Amended by Income Tax (Seventh Amendment) Act, 2046.
76 Inserted by Income Tax (Eighth Amendment) Act, 2050.
(3) If there is a reasonable cause for not being able to file the application within the period of time prescribed in Sub-section (2), the concerned Taxpayer may, within the same period, file an application by stating clearly the reasons thereof to the Director General for the extension of such time. If the cause stated in such application is found to be reasonable, the Director General may grant extension of time up to a maximum of Thirty days provided the appeal pursuant to Section 57 has not been filed.

(4) Notwithstanding anything written in this Act or the prevailing law the fee pursuant to Sub-section (2) or (3) of Section 37 shall not be imposed unless a final decision is made on the application filed pursuant to Sub-section (2).

Provided that, if the decision is made in which the claimant of the Taxpayer is completely or partially failed to be proved, the Taxpayer is obliged to pay the fee which is chargeable pursuant to Sub-section (3) of Section 37 on the amount limited to the decision.

(5) Notwithstanding anything written in Section 57, no appeal shall lie against the reassessment of the tax done according to the order of the Director General on the application filed pursuant to Sub-section (2).

Provided that, an appeal shall lie on the Court of Appeal if finding the decision liable to annulled wholly or partially due to a clear error of law on any of the following questions it grants a leave of appeal against the decision of the Director General or the Officer designated by him:-

(a) The question of jurisdiction,

77 Inserted by Income Tax (Eighth Amendment) Act, 2050.
78 Amended by Income Tax (Eighth Amendment) Act, 2050.
(b) The question of interpretation of law,

(c) The question as to the non-admission of the admissible evidence or admission of the non-admissible evidence.

(d) The question as to the violation of the mandatory procedure of law.

35. **Power to Collect Tax in Advance:** 79(1) If the Tax officer is satisfied that any Taxpayer, being a non-Nepalese Citizen or non-resident is obliged to pay income tax by the Nepal Income Tax Act, 2019, this Act or any other existing Nepal law is likely to abscond to avoid payment of Taxation or 80 any person who is obliged to pay tax has charged the name of his firm or business of the place likely to avoid the payable tax, he/she may order that the amount likely to be taxed from him be deposited, or immediately after the receipt of tax assessment notice as security or that the amount of tax finally assessed be deposited notwithstanding the fact that his/her year of income is not ever or that time for submission of tax return has not expired or that the final assessment has not been made or that time for payment of the assessed tax has not expired.

(2) Security may be accepted in lieu of the amount payable under Sub-section (1), the Tax Officer may detain or restrain such person so long as the deposit is not paid or security in lieu thereof is not given.

(3) In respect of taxpayers other than those mentioned in Sub-section (1) where tax return is not filed within the time limit specified under this Act or where tax return has been submitted but it is not possible to assess tax on the basis of such statement immediately, the

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79 Amended by Income Tax (First Amendment) Act, 2034.
80 Inserted by Income Tax (Sixth Amendment) 2043.
Tax Officer may require, without prejudice to other proceeding or the assessment of tax under this Act, to make advance payment, within such a period not exceeding Thirty Five days, of a deposit equal to the amount of tax to be chargeable on the net income of the latest year for which assessment has already been made or tax due on the net income of the statement so submitted.

(4) Where any Taxpayer is not satisfied with the order issued under Sub-section (3), he may submit a petition to the Director General within Thirty Five days from the date of receipt of such order.

Provided that, if the Taxpayer has filed an appeal to the Revenue Tribunal against the order of the Tax Officer pursuant to Section 57, he may not be able to submit application to the General Director.

35A. **Advance Payment of Tax:** (1) His Majesty's Government may, by a Notification published in the Nepal Gazette, declare that such class of Taxpayers as have been specified in the notification, shall after the expiry of their year of income, pay along with their statement of income such amount of tax as may be calculated on the basis of the statement as submitted.

(2) All Taxpayers shall be bound to pay tax in advance commencing from the financial year 2037/2038 (1980/81) in the manner specified in Sub-section (1).

(3) If among the Taxpayer who have paid advance tax pursuant to Sub-section (1) or (2), the assessment of tax is not done within Five years of the payment of advance tax in the case of those Taxpayers who have paid such advance tax before the commencement

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81 Inserted by Income Tax (Fourth Amendment) Act, 2041.
82 Inserted by Income Tax (First Amendment) Act, 2034.
of this Sub-section and within four years of the payment of advance tax in the case of those Taxpayers who have paid advance tax after the commencement of this Sub-section, the tax which had been paid by the Taxpayer according to the tax return submitted by him/her, shall be deemed to have been the tax assessed pursuant to this Act.

Provided that,

(1) This Sub-section shall not be applicable in the case of those Taxpayers who do not appear in the Tax Office or submit evidence, even if, no ordered by the tax officer in connection with the assessment of tax, within Five years in the case of those tax payers who have paid advance tax before the commencement of this Sub-section and within four years in the case of those Taxpayers who have paid advance tax after the commencement of this Sub-section. The order to be given to the Taxpayer for presenting him/herself in the tax office may be given by publishing a Notification of the order in any newspaper of national circulation.

(2) If the Taxpayer submits a false statement of income pursuant to Sub-section (1) or (2) it shall not be a bar to reassess or to make additional assessment of tax pursuant to Section 56.

(4) Tax shall be required to be assessed within Six months from the date of expiry of time limit stipulated in the order issued to the Taxpayer in order to presence by person or to submit the evidence pursuant to proviso (1) of Sub-section (3).

83 Amendment by Income Tax (Fourth Amendment) Act, 2041.
84 Inserted by Income Tax (Seventh Amendment) Act, 2041.
36. **Deduction of Tax at the Source:** (1) Any person paying any remuneration, rent, commission, bonus, share of the profit interest or any such amount which is not taxable to any other person shall at the time of such payment deduct tax therefrom at the rate pursuant to this Act or any other existing Nepal Law. A receipt of the tax no deducted shall be given to the recipient of such payment at the time of such deduction and the tax so deducted shall be deposited to His Majesty's Government within Fifteen days from the date of such deduction and the initiation of such deduction shall be given to the Tax Officer.

   (2) In deducting income tax under Sub-section (1), the amount to be deducted shall be calculated in proportion to the whole amount of tax payable by him/her at the end of any year of income.

   (3) Where any person who is required to deduct tax under Sub-section (1) fails to do so, or deducts tax, the amount of which is less or greater than the amount to be deducted, he shall be entitled to take necessary adjustments at the next payment.

   (4) Nothing contained in this Section shall be deemed to be prejudicial to any other method of collecting tax.

37. **Payment of Income Tax:** (1) On receiving the assessment order of tax made under this Act, the Taxpayer shall deposit the amount of tax so assessed at the bank or the office specified in the order within Thirty Five days from the date on which such order was received.

   (2) In case any Taxpayer, due to reasonable circumstance, is unable to pay the tax amount within the time limit prescribed in Sub-section (1), he/she may, by depositing the amount of fine, if any, apply to the Tax Officer that he/she be permitted to pay the tax in full or in

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85 Amendment by Income Tax (Third Amendment) Act, 2037.
86 Amended by Income Tax (First Amendment) Act, 2034.
installments within the deferred date. The Tax Officer may, if he/she finds the ground mentioned in the application of the Taxpayer reasonable, extend the time for payment of tax from the date of expiry of Thirty Five days of receiving the assessment order by the Taxpayer upto a maximum period of Nine months. For such extension of time, a fee at the following rate for the period specified therein shall be charged:

(a) ... ... ... 
(b) For the next Three months 3 percent 
(c) For the next Six months 5 percent 
(d) For the next Nine months 7 percent

(3) A Taxpayer shall be liable for payment of a fee at the rate of Twenty Five percent per year of the tax amount due from him/her if he makes default in the payment of tax within the time specified in Sub-section (1) or within the time extended pursuant to Sub-section (2). Such amount of tax or the fee as are in arrears shall be realised by the officer or the office notified by the Tax Officer in the following manner:

(a) By impounding or seizing the movable or immovable property of the Taxpayer;
(b) By impounding any deposit of the Taxpayer in any government office or corporation owned by Majesty's Government or any amount payable to him by such office or corporation. The Tax Officer may also order

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87 Inserted by Income Tax (Third Amendment) Act, 2037.
88 Deleted by Income Tax (Third Amendment) Act, 2037.
89 Amended by Income Tax (First Amendment) Act, 2034.
90 Amendment by Income Tax (Eighth Amendment) Act, 2050.
91 Amended by Income Tax (Fifth Amendment) Act, 2042.
that the amount payable to the Taxpayer by such office or corporation be paid to the tax office;

(c) By withholding the transaction of the Taxpayer including that of import or export trade;

(d) By auctioning off the whole or part of the movable or immovable property of the Taxpayer in one or several lots as prescribed.

(4) Where the Taxpayer offers payment of the arrears due from him/her after the auction of his/her property is initiated under Clause (d) of Sub-section (3) but before it has been completed, the auction may be discontinued after collecting the arrears together with an additional fee equal to Five percent of the total tax arrears, fees and fines due from the Taxpayer.

(5) Where the proceeds from the auction of the Taxpayer's property made under Clause (d) of Sub-section (3) exceeds the amount due from him/her, the excess shall be refunded to him/her.

37A. Power to Imprison for Default in Payment of Tax: In case any Taxpayer, with the intention of avoiding payment of tax, transfers his/her property or business to another person by any of the means, after or before the submission of his/her statement of income, or after or before the assessment of tax payable by him, and does not pay the amount of tax within the time specified in Sub-section (1) or (2) of Section 37, such Taxpayer, notwithstanding anything mentioned in the said Section 37, may be kept in prison by order of His Majesty's Government, until he makes payment of tax.

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92 Inserted by Income Tax (Third Amendment) Act, 2037.
93 Inserted by Income Tax (First Amendment) Act, 2034.
94 Amended by Income Tax (Eighth Amendment) Act, 2050.
Provided that, His Majesty's Government may not order the detention of such person for more than Six months

38. **Refund of Tax**: Where any person has, in respect of any year of income, paid tax by deduction or deposit in advance or otherwise, in excess of the amount payable by such person under the final assessment, the Tax Officer shall refund the amount so paid in excess within Six months.

39. **No Claim to be Entertained After Certain Period**: Every claim for refund of any amount under Sub-section (5) of Section 37 or Section 38 shall have to be made within Two years from the date on which the notice for such refund is received. Any claim by a Taxpayer for the refund of such amount shall not be entertained if it is not made within the stipulated period.

40. **Power to Constitute Assessment Committee**: (1) Notwithstanding anything contained in this Act, His Majesty's Government, if thinks necessary, may, from time to time, by Notification published in the Nepal Gazette, constitute an Assessment Committee consisting of a Chairperson and other members, not exceeding four, for the purpose of computing the net income of any Taxpayer or class of Taxpayers.

   (2) The quorum required for the Committee constituted under Sub-section (1) shall be of three members.

   (3) The decision taken by the majority shall be binding. Ordinarily, the Chairperson shall not have the right to vote, but in case of tie, the Chairperson shall have the right to a casting vote.

   (4) In computing the net income, the Committee constituted under Sub-section (1) shall compute the net income by keeping in view
the basis mentioned in \(^{95}\)Sub-section (2) of Section 33, including other basis, if any, as may be specified by His Majesty's Government.

(5) On receipt of the findings by the Committee under Sub-section (4), the Tax Officer shall assess the tax chargeable under this Act or any other existing Nepal Law on the net income so computed by the Committee.

41. **Deductions not Allowed**: Notwithstanding anything contained in this Act, in computing the net income of any person for any year of income, no deduction shall be allowed in respect of:-

(a) Any personal or domestic expenses;

(b) Any tax on income levied under this Act or other existing Nepal Law;

Provided that, a deduction shall be allowed in respect of any income tax or other tax of a similar nature which is charged in a country outside the Kingdom of Nepal.

(c) Where any payment is made without making any deduction of tax in advance or on the source which had otherwise to be deducted under this Act, the amount so paid;

Provided that, any amount of tax due on any payment which is made as interest or for any other similar purpose to any bank or financial institution or any government owned corporation may, if not deducted earlier from the said amount, be remitted.

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\(^{95}\)Amended by Income Tax (Third Amendment) Act, 2037.

\(^{96}\)Amended by Income Tax (Fourth Amendment) Act, 2041.

\(^{97}\)Inserted by Income Tax (First Amendment) Act, 2034.
(d) Any capital expenditure or loss incurred on any capital;

(e) Any expenditure by way of remuneration, interest, commission, rent or bonus made by a Taxpayer other than a public limited company to his partner or any member of his unit; Provided that a reasonable amount of remuneration paid by a firm or a company to its chief executive partner or director may be deducted.

(f) Payment by way of different kinds of commission, discount, etc. in addition to the regular remuneration;

Provided that, where reasonable amount of commission is paid in lieu of remuneration such amount of commission only may be deducted.

(g) Rent on his/her own house or land or other property;

(h) Any reserve fund and other similar fund reserved from net profit;

Provided that, the amount to be allocated from the income as per the prevailing law shall be deducted as an expenditure up to maximum three percent from the remaining amount of the loan of the risk bearing fund deposited by the Banks of financial corporations as designated by the Nepal Rastra Bank (Central Bank) and interest thereof. If such expenditure is incurred from the income assessing as a bad debt in the case that there is a provision for such risk bearing fund it shall not be exempted, and in the case the amount of the found is capitalised or allotted as dividend or profit it shall be included in the income of year in which such allotment is made.

98 Amended by Income Tax (Eighth Amendment) Act, 2050.
(i) The expenses which is not related with the purpose of acquiring or earning income.

42. **Exemption from Income Tax**: (1) Notwithstanding anything contained in this Act or other existing Nepal Law, the following income shall be exempted from tax:-

(a) The remuneration received by diplomatic representatives of foreign countries residing in the Kingdom of Nepal and foreign personnel of such diplomatic missions, other than those who are recruited locally;

(b) The remuneration received by any foreign citizen, government on condition that such remuneration shall be exempted from income tax;

(c) The remuneration paid by any foreign government or foreign or international agencies to foreign nationals posted in the Kingdom of Nepal to advise or assist His Majesty's Government;

(d) Except the corporate income tax which is payable as per the prevailing law, any share received by every partner of a firm or company out of the profit of such firm or company on which tax is paid;

(e) The income of a *Guthi* (Trust);

(f) The income of public corporation or Institution registered or approved in accordance wits the prevailing law excluding the income of **Village**

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99 Inserted by Income Tax (Sixth Amendment) Act, 2043.
100 Amended by Finance Related Some Nepal Act (Amendment) Act, 2047.
Development Committee, District Development Committee, Municipality constituted with profit motive.

(g) Facilities provided by His Majesty's Government to His Majesty's, Ministers, State Ministers, Assistant Ministers other than the remuneration paid to them by His Majesty's Government.

(h) The income of the Employees' Provident Fund;

(i) The amount paid to any employee as principal, interest and bonus in consideration of his/her deposits in the Fund.

Provided that, the tax exemption in the case of provident funds other than the Employees' Provident Fund shall be granted only under prescribed conditions.

(j) Amount to be received from life insurance in lieu of compensation or on the expiry of the insurance period.

(k) The income acquired from the supply of goods in Nepal by making payable the amount directly in foreign country through a letter of credit or Bank draft of a firm located in foreign country, company or person.

101 Deleted by Finance Related Some Nepal Act (Amendment) Act, 2047.
102 Deleted by Income Tax (Third Amendment) Act, 2037.
103 Amended by Income Tax (First Amendment) Act, 2034.
104 Inserted by Income Tax (Third Amendment) Act, 2037.
105 Inserted by Income Tax (sixth amendment) Act, 2053.
(2) Industrial enterprises shall be granted such tax exemption on its industrial income either full or partial, as provided in existing Nepal Law relating to industrial enterprises. In the case of industrial income of the prescribed industry which is exempted from tax, the tax officer may be assessing its tax separately, grant such exemption.

(3) His Majesty's Government may, by Notification published in the Nepal Gazette, grant full or partial exemption from tax in respect of the income of any person or any type of income.

(4) Any person in respect of whom exemption from income tax is allowed under Sub-section (2) and (3), shall submit to the Tax Officer a statement of his/her income along with such documents which may support such tax exemption.

43. **Deduction for Contributions Made for Philanthropic Purposes:**

(1) In computing the income of any Taxpayer, the amount expended or donated by him/her for the benefit of the public or for religious purposes within the Kingdom of Nepal, not exceeding One Hundred Thousand Rupees or Five percent of his/her net income, as shown by him/her whichever is less, shall be deducted from such income.

(2) Notwithstanding anything contained in Sub-section (1), His Majesty's Government may, by a Notification published in the Nepal Gazette, specify the extent of deduction to be made in whole or in part of the amount expended or donated by any Taxpayer, for such purpose and under such circumstances as may be specified in the Notification, in computing the income of such Taxpayer.

44. **Power of Remission:** His Majesty's Government if it deems necessary under specific circumstances, may, by a Notification published in the

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106 Amended by Income Tax (First Amendment) Act, 2034.
107 Inserted by Income Tax (Fourth Amendment) Act, 2041.
108 Amended by Income Tax (Third Amendment) Act, 2037.
Nepal Gazette, remit in whole or in part any fine, fee or additional fee which may be or has been imposed under this Act.

109. **Remission of the Tax in Arrears**: His Majesty's Government may, in a situation as prescribed submit the tax in arrears as prescribed.

110. **Powers of Court of Law to be Vested**: (1) The Tax Officer shall, for the purpose of carrying out inquiries regarding the filing of return submitted pursuant to this Act, be deemed to possess the powers vested in a court of law by the existing Nepal law in the matter of issuing summons, recording of statement, receiving evidence and compelling production of document by the person filing of return.

(2) The Tax Officer shall, after notifying in the order issued pursuant to Sub-section (1) that the Taxpayer or his legal representative shall incur such legal liabilities as mentioned in such order for not supplying the details or information sought by the Tax Officer, proceed to take such actions as he may deem necessary.

46. **Power to Inspect and Search Premises and Seize Records**: (1) Where His Majesty's Government is of the opinion that anything done or likely to be done by a Taxpayer is for the purpose of avoidance of tax for any year of income, it may direct any officer, as may be specified, to enter into and to inspect or to search the premises in which the Taxpayer carries on his business or to seize or retain any relevant records or documents for such period as may be considered necessary.

(2) Where it is considered necessary to inspect or search any premises under Sub-section (1), a notice showing the reason thereof shall be served on the person residing in such premises and it shall be

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109 Inserted by Income Tax (Fourth Amendment) Act, 2041.
110 Amended by Income Tax (First Amendment) Act, 2034.
the duty of the person on whom such notice is served to allow the officers to inspect or search without any hindrance.

(3) Where any person residing in the premises to be inspected or searched under Sub-section (2), obstructs any officer to enter such premises, such officer after serving notice and giving an opportunity to the females residing in the premises to shift elsewhere, enter, inspect and search such premises at any time between sunrise and sunset and for that purpose, may break open any front or inner door, windows or bolts of such premises.

(4) The officer so authorises for taking any action under this section shall submit a report of such action including the details of the documents so collected to His Majesty’s Government within Seven days of such action.

47. Release of Contract Deposit Money: (1) Notwithstanding anything contained in the prevailing law or in any contract deed, where any government office or any other institution has made a contract with an individual or institution, the value of which is exceed than one hundred thousand rupees, an amount equivalent to Five percent of the contract amount to be paid or received shall be deducted as advance income tax and deposited in the concerned Tax Office.

Provided that, no amount shall be deducted for advance income tax is the course of payment or to be received of the contract amount which in required to be deposited for such contract.

(2) After the deposit of the amount deducted pursuant to Sub-section (1), an advance income tax and any amount which is levied as tax under the prevailing law, the office or the institution which has

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111 Amended by Income Tax (Fourth Amendment) Act, 2041.
112 Inserted by Income Tax (sixth amendment) Act, 2043.
awarded the contract may 113 after the submission of tax payment certificate deposited to the Tax Office.

(3) While assessing the tax by the Tax Officer as per this Act, if the advance income tax received pursuant to Sub-section (2) is in excess, such excess amount shall be referred to the contractor and if insufficient, such remaining tax amount shall be realised from the contractor.

(4) Notwithstanding anything contained in Sub-section (1) and (2), if any contract is entered into by a temporary resident or a non-Nepali citizen, the value of which is 114 more than Twenty Five Thousand Rupees, the deposit money shall be retained till the submission of tax payment or Tax Release certificate issued by the concerned tax office.

48. **Power to Make Agreements for Avoidance of Double Taxation:**

His Majesty's Government may enter into an agreement with the government of any foreign country for the avoidance of double taxation on income subject to tax under this Act or the existing Nepal Law and under the corresponding law in force in such other country.

49. **Year of Income and Maintenance of Accounts:** 116 (1) Where any Taxpayer has maintained the accounts of his income and expenditure for a specified period for computing his income whether acquired or earned such period shall be considered to be the year of income of such Taxpayer. In case the Taxpayer who has not maintained the account of

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113 Amended by Income Tax (sixth amendment) Act, 2043.
114 Amended by Income Tax (Eighth Amendment) Act, 2050.
115 Deleted by Income Tax (Sixth Amendment) Act, 2043.
116 Amended by Income Tax (Third Amendment) Act, 2037.
income and expenditure the fiscal year of His Majesty's Government shall be considered to be the year of income of such Taxpayer.

117 Provided that, the income year of His Majesty's Government shall be the income year of the tax payer the fiscal year 2052/053.

(2) The year of income shall ordinarily be a period of twelve months.

(3) Notwithstanding anything contained in Sub-section (2), where special circumstances require a Taxpayer to maintain accounts of his business for a period longer of shorter than twelve months, such period shall be taken to be the year of income of such Taxpayer.

(4) A Taxpayer may change his/her usual year of income subject to the approval of the Tax Officer.

(5) Any person earning or acquiring income from industry, business, profession or occupation or any other source as may be specified by His Majesty's Government in a notification published in the Nepal Gazette shall maintain proper accounts of his income and expenditure. The method of maintaining such accounts and the language to be used shall be as specified by His Majesty's Government in a notification published in the Nepal Gazette.

50. **Preservation of Accounts and Relevant Documents**: Every Taxpayer shall preserve the account and relevant documents of his industry, business, profession or occupation for six years from the date on which he has been assessed.

51. **Power to Compel Auditing of Accounts**: For the purpose of computing income His Majesty's Government may, by a Notification

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117 Inserted by Income Tax (Eighth Amendment) Act, 2050.
118 Amended by Income Tax (First Amendment) Act, 2034.
published in the Nepal Gazette, direct a person carrying on any particular type of business or acquiring or earning income above a particular limit or having transaction in excess of a particular limit to have the accounts of /her business audited by a registered auditor.

**Explanation:** For the Purpose of this Section a "registered auditor" shall mean an auditor who has received a certificate to practice as an auditor under the existing Nepal law and enlisted to auditors' list authorising to audit by the department of Tax for the purpose of Tax.

Provided that, the statement of income or the accounts submitted on behalf of a foreign individual institution, company of their branches, sub-branches or Sales Corporation shall have to be certified by a Nepalese chartered Accountant.

**51A. Prosecuting Against the Auditor may be Instituted:** (1) In case the Taxpayer who assess volunteer tax has submitted false statement of the income of any or all circumstances as stipulated in Sub-section (2) of Section 56b. likely to avoid tax and in case it is proved that the Auditor help to such act with his compliance, the Auditor shall be liable to fine up to Five Thousand Rupees and his name shall be omitted for Five years from the index as enlisted to the Department of Tax as an authorized Auditor for the purpose of Tax.

(2) In case the taxpayer who assess volunteer tax submits false statement and such a false statement has found to be submitted due to the occupational negligence of the Auditor even if his/her compliance is not found in such act, he/she (the Auditor) shall be liable to fine up to Five Hundred Rupees and his/her name shall be deleted for Three years
from the list as enlisted to the Department of Tax as an Authorized Auditor for the purpose of tax.

(3) If it is fount that the Auditor has certified the false accounts or statement as true in such circumstances other than mentioned in Sub-section (1) and (2), the Director General may recommend to the Auditor General for punishing such auditor pursuant to Auditor's Act, 2031.

51B. Initialing of the Books of Accounts and Sales Memo: (1) The Taxpayers who have been prescribed by His Majesty's Government by a Notification published in the Nepal Gazette, shall use books of accounts and sales memo as initialed by the tax officer.

(2) The Taxpayer shall, as required examine as to whether or not the books of accounts of the sales memo as initialed pursuant to Sub-section (1) is being used.

(3) ... ... ...

51C. Payment Transaction to be done Through a Bank: Except the circumstances as specified by His Majesty's Government by a notification published in the Nepal Gazette, if the tax payers shall have to make payment exceeding Twenty Thousand Rupees at once, such transaction shall be done through a bank.

52. Method of Serving Notices: (1) Where under this Act any notice is required to be served on or where the Act empowers Tax Officer to serve notice, such notice shall be deemed to have been served or sent, if such notice is being addressed to such person or, where such person is a company or a firm, to the principal officer of such company or firm in accordance with the following procedure:-

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122 Inserted by Income Tax (Fourth Amendment) Act, 2031.
123 Deleted by Income Tax (Eighth Amendment) Act, 2050.
124 Inserted by Income Tax (Eighth Amendment) Act, 2050.
(a) By delivering the notice personally;

(b) By sending the notice under registered post addressed to his/her present or latest known address or delivering it to his/her post box.

(2) Whether a notice is served under registered post, service of such notice shall, in the absence of proof to the contrary, be deemed to have been effected at the time at which the notice would have been delivered in the ordinary course of time.

(3) ...

53. **Documents to be kept confidential**: The Tax Officer shall regard and deal with all documents and information relating to income of any person which may come to his possession or to his knowledge as confidential, such documents or confidential information shall not be disclosed or use as evidence in any court or law except for the purpose of income Tax or any other Tax; and any officer shall not without the permission of His Majesty’s Government be entitled also to ask for inspection or investigation before the final assessment of Tax.

Provided that, no Tax Officer shall be prevented from disclosing such confidential information to any person for the purpose of this Act where such person has the duty of administering this Act.

54. **Specification of Forms**: The Director General may, from time to time, specify the forms to be used in submitting statement for the purpose of this Act.

55. **Rectification of Tax Assessment Order**: (1) Where, on the application submitted by the Taxpayer or by any other means, it is...
discovered that there has been a mistake in the assessment of tax amount due to wrong information or mathematical error at the time of calculation of net or gross income of the taxable amount of the Taxpayer, the Tax Officer may rectify such mistake and make reassessment within a period of two years from the date of first assessment.

(2) If, at the time of rectification of assessment order pursuant to Sub-section (1), it is found that the tax amount actually should be less than the amount assessed previously, prior approval of the Director General shall be obtained after recording specific reasons thereof.

(3) If, in consequence of the rectification made pursuant to Sub-section (1), it is found that the tax amount should have actually been more than the amount assessed previously, it shall be necessary, before making such rectification, to record specific reasons and to notify the Taxpayer in writing of such finding and to give him/her reasonable opportunity to contest, or to produce any evidence against the intended order.

55A. **Reward to Supplier of True Information**: (1) If any person supplies written information to the Department of Tax in advance of Two years from the date of assessment of tax enclosing the evidence of pursuant to this Act stating therein that the liability of Tax has been less due to avoidance of tax by any Taxpayer and, if the matter is to be true in the course of investigation on the basis of the information, His Majesty's Government shall grant Twenty Five percent of the tax amount as a reward to the person which to be collected by virtue of such information.

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127 Inserted by Income Tax (Fifth Amendment) Act, 2042.
128 Inserted by Income Tax (Eighth Amendment) Act, 2050.
(2) If the person who supplies the information enclosing the evidence of avoidance of tax pursuant to Sub-section (1) provides such information, proceeding of investigation shall be initiated merely on the basis of the information.

129. 56. **Power to Make Reassessment or Supplementary Assessment**: (1) If His Majesty's Government is satisfied that any person bound to submit statement of income pursuant to Nepal income Tax Act, 2019, this act, or the existing Nepal law, having filed or caused to be filed false statement, has caused his/her tax liability to be reduced it may order reassessment or supplementary assessment of his/her tax within Five years from the date of the said assessment.

130. Provided that, for the assessment of volunteer tax, the Tax Officer may order for the reassessment of tax to the Taxpayer who submits the statement of his income.

(2) For the purpose of this Section, the word "false" shall denote any or all of the following situations:-

(a) Concealment of any source of income in whole or in part;

(b) Concealment of income from any source in whole or in part;

(c) Production of forged bills and receipts to support his statement or accounts, or production of bills and receipts of amounts in excess of the actual amount of such bill or receipt;

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129 Amended by Income Tax (First Amendment) Act, 2034.
130 Inserted by Income Tax (Eighth Amendment) Act, 2050.
(d) Submission of statements on the basis of false books of account;

(e) Avoidance of tax or reduction of tax liability in the manner mentioned in Sub-section (1) or (2) of Section 24.

(3) If His Majesty's Government is satisfied that the tax liability has been reduced in the case of a Taxpayer due to dishonesty, negligence or irregularity, it may order reassessment or supplementary assessment of his/her tax within Five years from the date of the said assessment.

131 56A. Dismissal of Appeal on Reassessment of Tax: (1) Notwithstanding the fact that an appeal is pending against the assessment order made pursuant to the provisions of Nepal Income Tax Act, 2019 or this Act, reassessment during the pendency of appeal may be made in accordance with Sub-section (1) or (3) of Section 56.

(2) If a reassessment order is made pursuant to Sub-section (1) or (3) of Section 56, the assessment order made by the Tax Officer in connection with which the reassessment has been made shall become inoperative and the appeal made against such assessment order shall automatically be dismissed.

132 56B. Supplementary Assessment not Prevented: Notwithstanding the fact that an appeal is pending against an assessment order made pursuant to the provisions of Nepal Income Tax Act, 2019 or this Act or a decision with regard to such appeal has been made, supplementary assessment pursuant to Sub-section (1) or (3) of Section 56 may be

131 Inserted by Income Tax (First Amendment) Act, 2034.
132 Inserted by Income Tax (First Amendment) Act, 2034.
made in respect of the income falling outside the purview of the earlier assessment order.

57. **Right of Appeal to the Revenue Tribunal**: Any person aggrieved by the imposition of a penalty or an order of assessment of tax made by a tax officer under this Act shall have the right of appeal against such order to the revenue tribunal. In case such claimant of the appeal filed by the Taxpayer in the Revenue Tribunal could not proved to be true fully or partially by the decision of the Revenue Tribunal, the Taxpayer shall be liable to pay the fee which is impossible under Sub-section (3) of Section 37 up to the limitation of the decision.

Provided that, if the Taxpayer files an application to the Director General pursuant to Sub-section (2) of Section 34 or Sub-section (4) of Section 35, no appeal shall lie on the Revenue Tribunal against the order of the Tax Officer.

57A. **Matters to be Stated in the Application or Appeal**: The Taxpayer while filing an application pursuant to Sub-section (2) of Section 34 or an appeal pursuant to Section 57 has to state clearly in his application or the appeal the reasons as to why decision of the Tax Officer is wrong wholly or partially and also the reason as to how his/her income or the liability should be computed giving therein the actual figure which he/she thinks to be his/her income.

58. **Account not be Considered Valid**: The following accounts shall not be valid for the purpose of this Act:-

(a) Papers and statements not submitted pursuant to Section 31A.

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133 Inserted by Income Tax (Eighth Amendment) Act, 2050.
134 Amended by Income Tax (Fourth Amendment) Act, 2041.
135 Inserted by Income Tax (Third Amendment) Act, 2037.
136 Amended by Income Tax (Fourth Amendment) Act, 2041.
(b) Which has not been kept in the language and the manner as prescribed by His Majesty's Government pursuant to Sub-section (5) of Section 49.

(c) Which has not be audited pursuant to Section 51.

(d) Which has not been initialed by tax officer pursuant to Section 51B.

(e) Which is in any or all of the situation as prescribed pursuant to Sub-section (2) of Section 56.

137 **58A. Amendment in the Assessment Order in Pursuance of the Final Decision:** If, in consequence of the final decision of the Appellate authority made on an appeal or application, it becomes necessary to amend any assessment order subject to such appeal or application, it becomes necessary to amend any assessment order subject to such appeal or application, the concerned Tax Officer shall amend such assessment order ordinarily within Thirty Five days of receipt of a copy of the final decision in his/her office or from the date on which a certified copy of the decision has been submitted by the Taxpayer.

138 **58B. Departmental Action in Case of Negligence:** If it is fount that a tax officer has with regard to an Taxpayer made dishonest or negligent tax assessment or become fail to assess the tax within the time limit of Sub-section (2) of Section 33 and as a result of which the tax liability of such person has become excessive or reduced, the Director General shall initial proceedings for departmental punishment in accordance with the provisions made in the condition of service of such tax officer.

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137 Inserted by Income Tax (First Amendment) Act, 2034.
138 Inserted by Income Tax (Fifth Amendment) Act, 2042.
58C. **Time not Barred in Case of Stay by Court**: In case an order to stay any proceedings initiated by a Tax Officer or His Majesty's Government under this Act has been issued by a court, such period during which the proceeding is so stayed shall not be reckoned while calculating the limitation period specified in Section 55 and 56.

58D. **Details to be Given by the Local Agent**: If any foreign company, firm or person has appointed local agent in Nepal, the local agent who has been appointed shall, within Thirty Five days from the date of appointment, provide the following details to the concerned tax officer:-

(a) Name and address.

(b) Remuneration to be obtained by him/her and the type of payment.

(c) The certified copy of the agreement if so concluded with the appointment of agent.

59. **Penalty for Failure to File of Return**: (1) Any Taxpayer who does not submit his/her statement of income within the time limit specified in Section 27 shall be liable to a fine at the rate of ten percent per year.

(2) Any person who fails to file of return within the time allowed by an order made pursuant to Section 28 shall be liable to a fine Fifteen percent of the tax to be levied.

(3) The Tax Officer may take any or all the following action to the Taxpayer who fails to file of return pursuant to Sub-section (2).

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139 Inserted by Income Tax (Seventh Amendment) Act, 2046.
140 Amended by Income Tax (Fourth Amendment) Act, 2041.
141 Amended by Income Tax (Eighth Amendment) Act, 2050.
142 Amended by Income Tax (Sixth Amendment) Act, 2043.
(a) To impound or seize the movable property of the Taxpayer;

(b) To impound any deposit of the Taxpayer with any government office or corporation owned by His Majesty's Government or any amount payable to him/her by such office or corporation.

(c) To restrain the business of the Taxpayer including that of import or expert trade.

(4) The Taxpayer who doesn't say anything or submit any evidence within the time limit which has been given to him/her pursuant to Sub-section (4) of Section 33 for assessing income tax pursuant to Sub-section (2) of the same Section, shall because of the non-submission of his statement of income within the time limit specified in Section 27 or 28, be charged with a fine at the rate of Fifteen percent annually of the amount of tax to be levied on him.

(5) No fine shall be charged pursuant to Sub-section (2) if a fine pursuant to Sub-section (4) is to be charged.

(6) The amount of fine pursuant to Sub-section (2) and (4) shall be determined only out of the residue amount which is to be realised as income tax after deducting the advance tax deposited by the Taxpayer.

(7) Notwithstanding anything contained in Sub-section (2) and (4), the amount of fine pursuant to these Sub-sections shall

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143 Amended by Income Tax (Seventh Amendment) Act, 2046.
144 Amended by Income Tax (Sixth Amendment) Act, 2043.
145 Deleted by Income Tax (Sixth Amendment) Act, 2043.
146 Deleted by Income Tax (Sixth Amendment) Act, 2043.
be computed after the lapse of three months from the end of the income year 147 ... ...

60. **Penalty for Submitting False Statement:** 148(1) In case the statement of income to be submitted by Taxpayer under this Act proved to be false due to the circumstances as stipulated in Sub-section (2) of Section 56, the person who submits or cause to submit a false statement, shall be required to pay such amount of tax which had fallen short due to the submission of such false statement and shall also be liable to a fine equivalent to the amount of tax so payable or to imprisonment not exceeding Two years or both.

Provided that, the penalty of imprisonment shall be imposed only after it has been referred to and confirmed by the Revenue Tribunal.

(2) In case the Taxpayer, who assesses volunteer tax, caused mathematically mistake intentionally to avoid tax, the amount of tax to be different due to such mistake shall be collected from him and he/she shall be liable to a fine up to half of his/her income.

(3) If the statement, submitted by the Taxpayer who assesses self tax, is not false but is remissible pursuant to Section 12, 41 and 43 for the purpose of assessment of tax or if the errorismereely concerned with the amount to be included with the income the amount deducted by such error shall be collected from him/her and he/she shall be liable of fine for Fifty percent of the amount.

61. **Penalty for Failure to Maintain or Preserve Accounts:** Any Taxpayer who fails to maintain proper accounts as required under Sub-section (5) of Section 49 or fails to preserve any accounts and its

147 Deleted by Income Tax (Eighth Amendment) Act, 2031.
148 Amended by Income Tax (Eighth Amendment) Act, 2050.
supporting documents as required under Section 50, shall be liable to a fine not exceeding Five Thousand Rupees.

62. **Penalty for Obstructing Search:** (1) Any person who obstructs any search operation to be made under Section 46 shall be liable to a fine not exceeding Five Hundred Rupees or to imprisonment not exceeding One month or both by an order of the Chief District Officer.

   (2) Any person not satisfied with the order made by Chief District Officer under Sub-section (1) may appeal against such order to the Court of Appeal.

63. **Penalty for Failure to Deposit Tax:** Any person who fails to deposit to His Majesty's Government the amount of income tax deducted under Section 36 within the specified period shall be liable to a fine not exceeding Five Hundred Rupees.

63A. **Power to Withhold Sale, Transfer of Ownership or Other Manners of Transfer:** His Majesty's Government may, with regard to the persons earning income of such category as are specified in the Notification published in the Nepal Gazette, prohibit sale or transfer of ownership of such movable or immovable property until such time as the person concerned produces receipt of payment of tax or a certificate of tax exemption or tax clearance with regard to that property. The registration office or other concerned office shall, as soon as the Notification is published, be bound to withhold registration of such sale or transfer of ownership of the property concerned.

63B. **Punishment for Breach of the Provisions of the Act or the Rules:** Except for any act punishable under Sections 59, 60, 61, 62 and 63 of

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149 Amended by Income Tax (First Amendment) Act, 2034.
150 Amended by Finance Related Some Nepal Act (Amendment) Act, 2047.
151 Amended by Finance Related Some Nepal Act (Amendment) Act, 2047.
152 Amended by Administration of Justice Act, 2048.
this Act, any person, firm, company, bank, financial or other institutions responsible for any breach of the provisions of this Act or the Rules made thereunder shall be punishable by an order of the Tax Officer with a fine upto One Thousand Rupees.

63C. **Other Penalties:** (1) Without prejudice to the liability for punishment under other Sections of this Act, the Tax Officer may by an order prohibit the issuance of passport to such Taxpayer who is bound to comply with obligations imposed by this Act until fulfillment thereof by the Taxpayer.

   (2) Any person, who carries on any industry, trade, profession or occupation, required to be registered by Section 5A, without having them registered, shall be punishable by an order of the Tax Officer with a fine upto Five Hundred Rupees. The Tax Officer may withhold carrying out the business of such person until registration or impound any or all of the commodities pertaining to that business.

   (3) The Tax Officer shall, before proceeding to issue order to prohibit issuance of passport or withholding from business or before impounding the commodities record his reasons in writing and obtain approval of the Director General.

64. **Authority to Impose Penalty:** the Tax Officer shall have authority to impose penalty, under Section 59, 60, 61 and 63 and the Director General shall have authority to impose penalty under Sub-section (1) and (2) of Section 51A.

65. **Authority to Impose Penalty:** His Majesty's Government may make Rules for carrying out the purposes of this Act.

153 Inserted by Income Tax (Eight Amendment) Act, 2050.
66. **Repeal and Saving**: (1) The Income Tax Act, 2019 is, hereby, repealed.

(2) Tax shall be assessed and realised pursuant to this Act where, under the Income Tax Act, 2019 no statement of Income has been submitted, assessment of tax is yet to be made on the statement so submitted or the collection of tax which has already been assessed is pending at the time of the commencement of this Act.

154 Amended by Income Tax (Fourth Amendment) Act, 2041.