

Taxation in Nepal: A Brief Introduction

**Presentation by Mahesh Baral, Joint Secretary,
Ministry of Finance, Nepal**

at

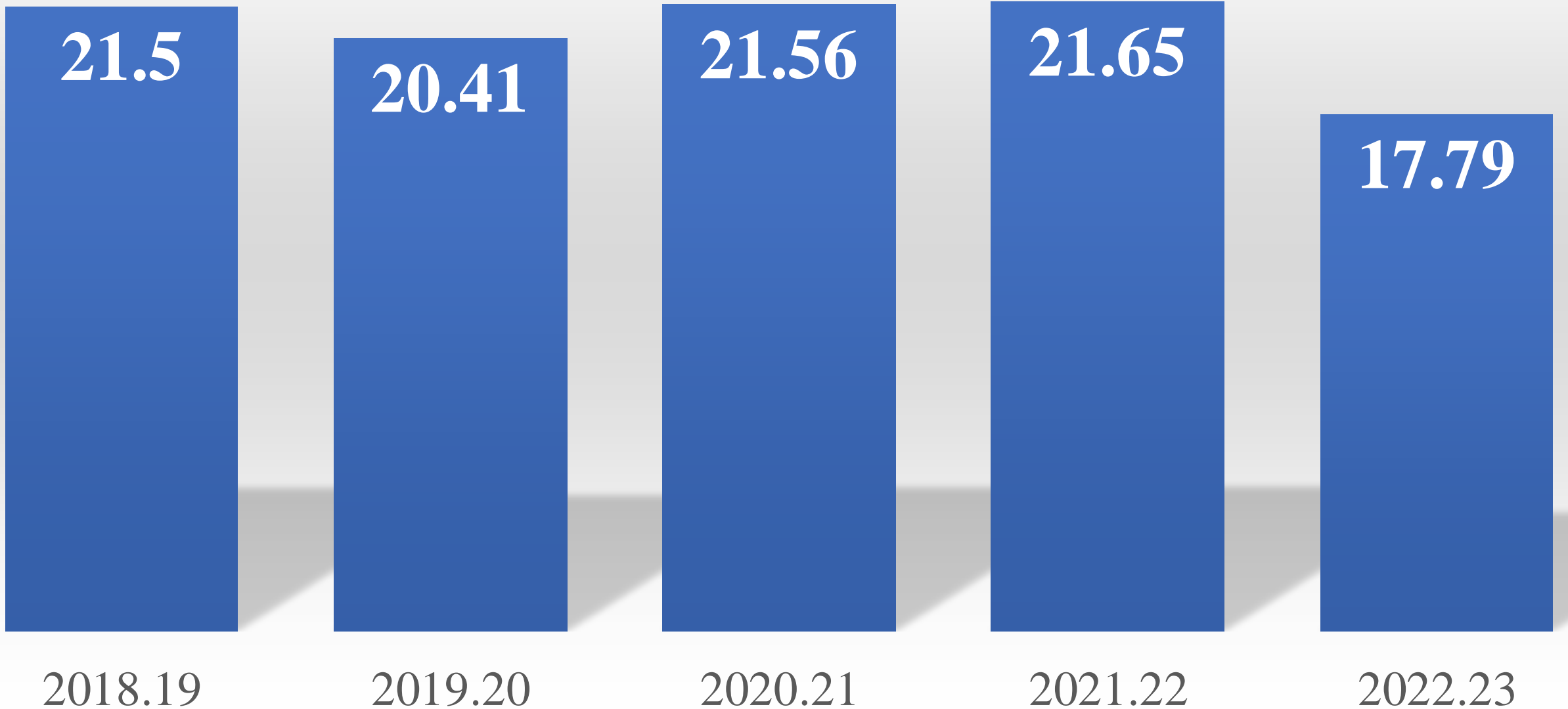
The Thirteenth IMF-Japan High-Level Tax Conference For Asian Countries in Tokyo

April 25-26, 2024

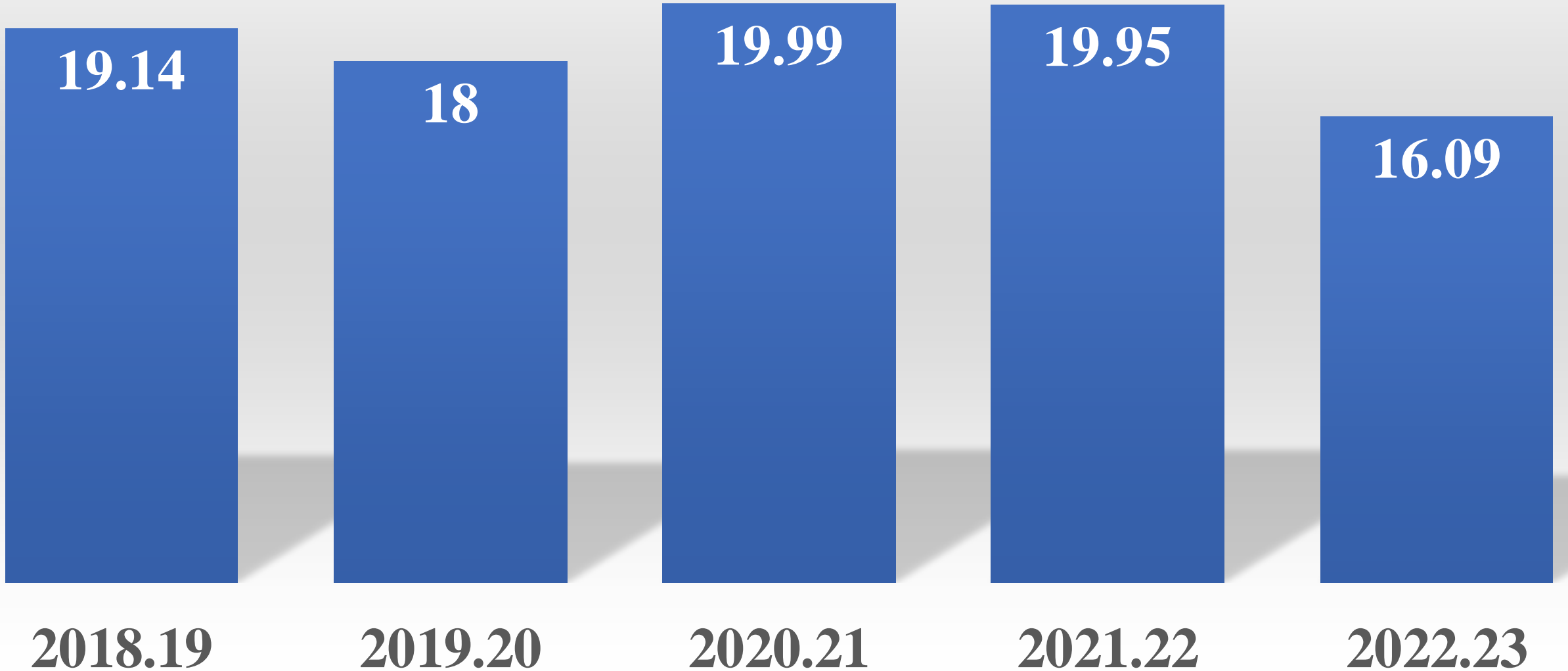
Presentation Outline

- GDP/Total Revenue/Tax Revenue ratio
- Major taxes in Nepal
- Pattern of various tax mobilization
- Issues of Taxation in International Context
- Challenges of Tax Administration
- Our efforts to overcome the Challenges

GDP/Total Revenue Ratio



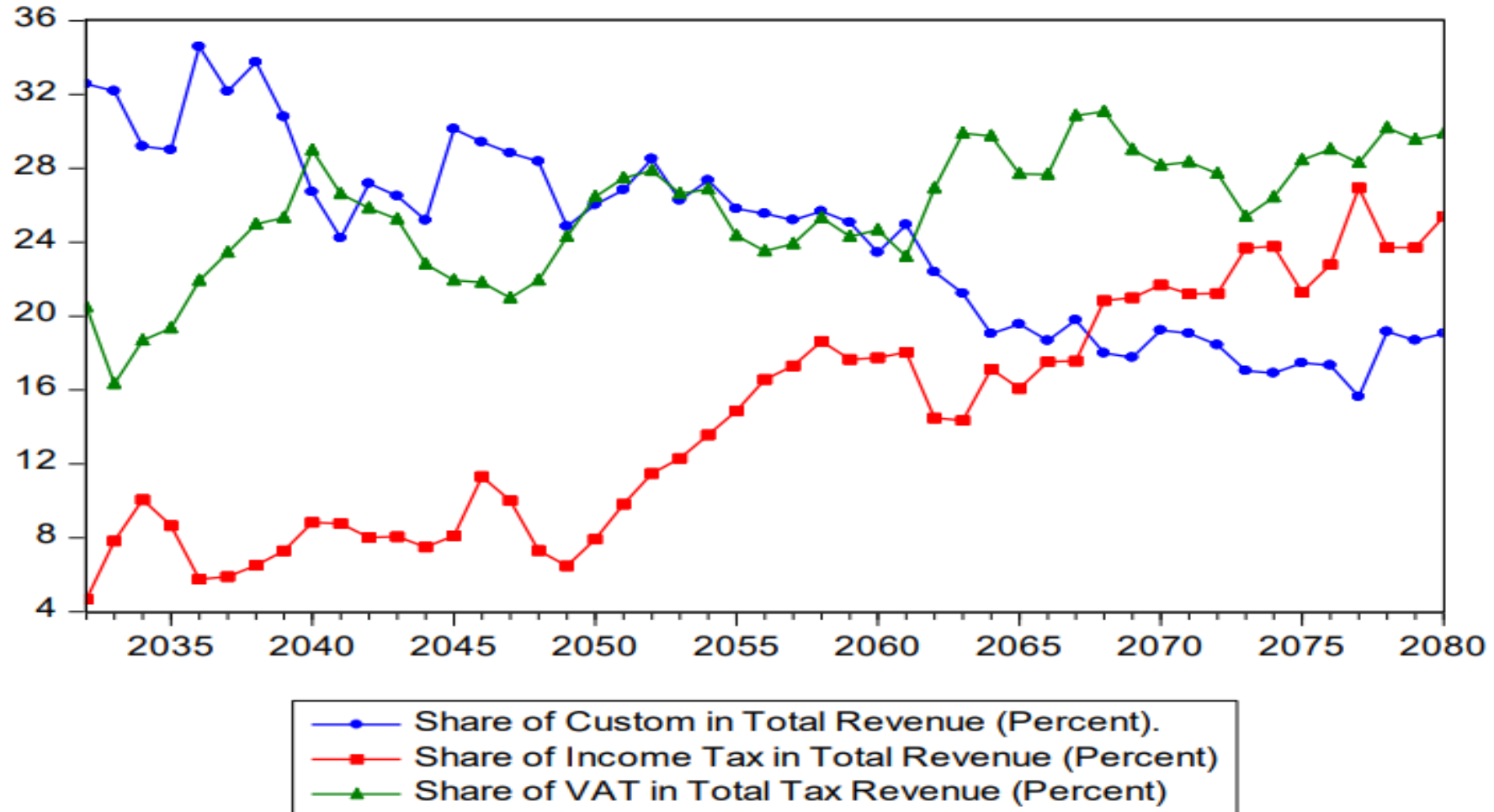
GDP/Tax Revenue Ratio



Major Taxes of Nepal

- Customs Duty (from ancient times)
- Income Tax since 1959
- Value added tax since 1995 (replacing various taxes), Single rate of 13%
- Excise Duties, (Focused on Environment and Health Hazardous Products)
- Other Taxes: Capital Gain Tax, Digital Service Tax, Luxury Tax etc. at Central Level and Vehicle Tax, Land Registration Tax and Property Tax at the sub-national level.

Pattern of Customs, Inc. Tax and VAT in Total Revenue In Last 45 Years



2035 BS is 1978 AD and 2080 BS is 2024 AD

Tax Issues in International Context

- Taxation of MNEs: Transfer Pricing/Tax Planning/BEPS
- Taxation on IT Business: Challenging to identify: Resident Taxpayer/PEs/Consumers/Point of Sale etc.
- Trade Based Money Laundering
- Taxation on Offshore Investment Firms
- Carbon Trading & Green Tax
- Illegal Trade

Challenges of Domestic Revenue Mobilization

Context Related

- The impact of covid-19 is still there.
- Impact of global economic slowdown.
- Migration of the working age people.

Tax Administration Related

- Formulation of Investment Friendly Tax Laws.
- Proper and predictable dispute settlement mechanism.
- Technology based tax administration.
- Institutional and HR related capacity building.

Our Efforts

- Reform in the tax system.
- System improvements (Business Process Re-engineering)
- Expanding the scope of taxation not the tax rates.
- Improving voluntary tax compliance.
- IT based tax information networking.
- Risk based tax audit and investigation.
- Use of information technology.
- Human resources development.
- Networking and international cooperation.



Thank You and Namaste