

## Value Added Tax Rules, 2053 (1997)

In exercise of the power conferred by Section 41 of the Value Added Tax Act, 2052 (1996) His Majesty's Government has framed the following Rules.

### **Chapter 1**

#### Preliminary

1. **Short Title and Commencement:** (1) These Rules may be called "the Value Added Tax Rules, 2053 (1997)".  
(2) It shall come into force on such date as His Majesty's Government by publishing a notice in the Nepal Gazette may appoint.
2. **Definitions:** Unless the subject or context otherwise requires, in these Rules,-
  - (a) "Act" means the Value Added Tax, 2052 (1996).
  - (b) "Tax Period" means the period for which a Taxpayer is required to furnish Tax Return.
  - (c) "Tax Return" means a return furnished by a Taxpayer in regard to the tax payable for transactions carried out during the Tax Period.

### **Chapter 2**

#### Provisions Relating to Registration

3. **Application for Registration:** (1) Any person engaged in any transaction at the time of the commencement of the Act shall submit an application for registration to the concerned tax officer, in the format as set forth in Schedule-1 within 90 days of the commencement of the Act.  
(2) A person intended to engage in any transaction after the commencement of the Act shall submit an application for registration to the concerned tax officer, in the format as set forth in Schedule-1 prior to the commencement of such transaction.  
(3) In case a person making application for registration pursuant to sub-rule (1) or (2) is a partner, the application must be submitted along with the details of the partnership in the format as set forth in Schedule-2.
4. **Investigation into Application:** (1) The concerned tax officer may ask an applicant to produce such other additional details and the documents which are deemed necessary in making investigations into the details and documents attached with the application submitted pursuant to Rule 3. It shall be the duty of the applicant to submit such additional details and documents to the concerned tax officer within seven days of such demand.  
(2) In cases where anyone has happened to submit an application for registration of the transaction which is not required to be registered as set forth in sub-section (3) of Section 10 of the Act, the concerned tax officer shall give a notice setting out that he is not required to be registered, to the applicant within seven days of the receipt of the application.
5. **To Grant Certificate of Registration:** The concerned tax officer shall, if he deems it proper to register, upon making investigations pursuant to Rule 4 into the application submitted for

registration pursuant to Rule 3, register the transaction which the applicant has carried out or intends to carry out the transaction and grant the certificate of registration bearing Registration Number as well in the format as set forth in Schedule-3 to the applicant, within thirty days of the date on which the application was submitted.

6. **Entrepreneur Carrying out Small Transactions Need not to be Registered:** (1) Notwithstanding anything mentioned in Rule 3, any person carrying out transactions not exceeding one million rupees within the last twelve months as set forth in Section 9 of the Act need not have registered his transactions.

Provided that any person who imports into the Kingdom of Nepal goods valued at one hundred thousand rupees or more per annum for commercial purposes shall have to register his transactions.

(2) Notwithstanding anything contained in sub-rule (1), any person carrying out small transactions may submit an application pursuant to Rule 3 if he wishes to register his transactions voluntarily. If an application has been submitted to register the transactions voluntarily, the tax officer shall register the transactions by completing the procedures of investigation referred to in Rule 4.

7. **Special Conditions on which Transactions are to be Registered:** (1) In case any person has reason to presume that his transactions shall exceed one million rupees in the coming three months, he shall submit an application setting out such conditions, to the concerned tax officer in the format as set forth in Schedule-1 for the registration of the transactions.

(2) If the amount of the transactions carried out by any person exceeds one million rupees in absence of (the) conditions where presumption could not be made as set forth in sub-rule (1), the person carrying out such transactions shall submit an application to the concerned tax officer in the format set forth in Schedule-1 for registration of the transactions within thirty days of the date on which such excess occurs.

8. **Determination of Amount of Transactions:** The amount of any transactions shall, for the purpose of the registration of the transactions, be determined on the basis of the value of purchase or sale of the transaction in the last twelve months, whichever is higher. Any registered person shall maintain the records setting out the amount of the transactions in the place of transactions and produce them as and when required by the tax officer.

9. **To Give Notification of the Change of Place:** (1) Any registered person who has to change the place of his transactions shall inform the concerned tax officer thereof prior to fifteen days of such change.

(2) The concerned tax officer shall, upon receipt of the information referred to in sub-rule (1), if he deems that the place of transactions to be changed falls within the scope of another Tax Office, notify the concerned office thereof within seven days of the receipt of such information.

10. **To Notify for the Change of Nature or Object of the Transactions:** (1) Any registered person shall prior to fifteen days of the change of the nature or object of his transactions notify the concerned tax officer thereof.

(2) Upon receipt of the notice referred to in sub-rule (1), the concerned tax officer shall change the nature or object of the transactions of the registered person and inform such registered person thereof.

11. **Transfer of Transaction:** (1) In case any registered person has fully or partially transferred the transaction being carried out by him to any person, he shall supply the information thereof by setting out all the details in the format set forth in Schedule-4 to the concerned tax officer within seven days of the date on which the transaction was so transferred.
- (2) In case the transaction has been transferred pursuant to sub-rule (1), the rights, powers and obligations of the transferer shall be subject to the terms of the transferee.
- (3) The concerned tax officer may, get both the parties related to a transfer in his presence to give them necessary instructions in regard to the obligations to be fulfilled by them under the Act and these Rules. It shall be their duty to follow the directions so given.
12. **Cancellation of Registration Process:** In case the registration of any registered person be cancelled due to the conditions referred to in sub-section (1) of Section 11 of the Act and such a registered person or his successor in the event of his absence submits to the concerned tax officer an application, setting out the conditions for cancellation of registration, accompanied by the Tax Return referred to in Schedule-11 as well as the payable tax amount, for the cancellation of registration, within thirty days of the date on which the condition for cancellation of registration occurred, or the concerned tax officer is satisfied that the registration of a registered person in existence of the conditions set forth in sub-section (1) of Section 11 is to be cancelled, he (the tax officer) shall cancel the registration of such person, upon getting him to pay the remaining tax amount, and give notice thereof to the concerned registered person or his successor and the Department.
13. **Use of Registration Number:** A registered person shall use his registration number in the following documents related to the transactions which he carries out, in addition to the transactions referred to in sub-section (6) of Section 10 of the Act:
- (a) Documents relating to income tax;
- (b) Documents relating to applications to be submitted to banks and financial institutions for loans exceeding one hundred thousand rupees for commercial and industrial purposes;
- (c) Documents relating to import and export.
14. **To Issue Duplicates:** (1) In case the certificate of registration of transaction obtained by a registered person under Rule 5 be torn, lost or otherwise destroyed, he must submit to the concerned tax officer accompanied also by one hundred rupees for the duplication fees payable to obtain such certificate, to obtain a duplicate copy of such certificate.
- (2) Upon receipt of an application pursuant to sub-rule (1), the concerned tax officer must give a duplicate copy of the certificate of registration of transaction within fifteen days of receipt of the application.

### Chapter 3

#### **Place and Time of Supply**

15. **Determination of the Place of Supply of Goods:** The following places shall be deemed to be the place of supply of goods:-
- (a) In the case of movable goods transferred by sale, the place where such goods were sold or transferred,
- (b) In the case of any immovable goods whose location can't be transferred even if their ownership is changed, the place where such goods are located,

- (c) In the case of imported goods, the customs point in the Kingdom of Nepal through which such goods are imported into the Kingdom of Nepal,
  - (d) In case any producer or vendor supplies the goods to himself, the place where the producer or vendor of such goods resides.
16. **Determination of the Place of Supply of Services:** The place of supply of a service shall be the place where the benefit of that service is received.

## Chapter 4

### **Provisions Relating to Invoices and Market Value**

17. **Tax Invoices:** (1) In supplying any goods or service by a registered person, he shall give tax invoices to the recipient, in the format as set forth in Schedule-5.
- (2) Tax invoice shall be written clearly and conspicuously on the front page of the invoice to be given to the recipient under sub-rule (1). Such tax invoices shall be prepared in three copies, and the original copy shall be given to the recipient, the second copy to be separately recorded so that it can be produced as and when asked for by the VAT Office and the third copy be recorded by the registered person for the purpose of his transaction.
18. **Abbreviated Tax Invoices:** (1) Notwithstanding anything contained in Rule 17, in case any registered person is to conduct a retail sale of any goods and submits an application to the concerned tax officer setting out such matter, he may grant permission so that such registered person may while conducting retail sale of any goods give an abbreviated tax invoice in the format referred to in Schedule-6 to the recipient, instead of the tax invoice as set forth in Rule 17.
- (2) Where several low priced goods have been sold, instead of separately mentioning the names of all the goods, the expression of some goods may grossly be mentioned in the abbreviated tax invoice to be given pursuant to sub-rule (1).
- (3) A recipient who receives an abbreviated tax invoice under sub-rule (1) by purchasing the goods shall not be allowed to deduct tax under Section 17 of the Act.
- (4) A registered person who gives an abbreviated tax invoice to the recipient pursuant to sub-rule (1), shall maintain records thereof as set forth below:
- (a) To prepare and maintain a duplicate copy of the original invoice,
  - (b) Where a transaction has been carried out by maintaining a duplicate of the roll, the total thereof must be calculated and maintained every day,
  - (c) To maintain records of the value, including tax, of each transaction.
- (5) In case a registered person is found not to have maintained the records required to be maintained pursuant to sub-rule(4), the tax officer may cancel the permission granted to issue an abbreviated tax invoice pursuant to sub-rule (1).
- (6) Notwithstanding anything contained in these Rules, where a transaction of value exceeding five hundred rupees has been carried out, an abbreviated tax invoice shall not be allowed; and despite having carried out a transaction of value less than that amount, it shall be the duty of a registered person to provide a recipient who asks for the tax invoice referred to in Rule 17 with such a tax invoice.
- (7) The total figure of tax shall be calculated from an abbreviated invoice by multiplying the invoice price by the tax variant.

*Explanation:* For the purpose of this sub-rule, the term tax variant means the quotient derived by dividing the rate of tax by the total obtained from adding 100 to the rate of tax.

$$\frac{\text{Rate of tax}}{\text{Rate of tax} + 100} = \text{Quotient}$$

19. **No Need to Give Tax Invoice:** A person who carries out transactions of used goods of a value exceeding ten thousand rupees, for the purpose of sub-section (1) of Section 14 of the Act, need not issue a tax invoice in such cases where the selling price is less than the buying price of the goods supplied by him.
20. **Credit or Debit Note:** (1) Where a registered person issues a credit or debit note owing to a change in the value of the goods or services supplied by him, he must clearly provide the following :
- (a) Serial Number,
  - (b) Date of issue,
  - (c) Name, address and registration number of the supplier,
  - (d) Recipient's name, address, and registration number if he is a registered person,
  - (e) Number and date of the tax invoice connected with the transaction,
  - (f) Particulars of the goods or services and reason of credit or debit,
  - (g) Amount credited or debited,
  - (h) Tax amount credited or debited.
- (2) A registered taxpayer shall maintain a monthly record of credit or debit notes referred to in sub-rule (1).
21. **In the Event of Payment in a Foreign Currency:** While giving the tax invoice of a Supplier upon receiving payment from the recipient in a convertible foreign currency as consideration of the supply of any goods and services, he shall give the invoice by mentioning therein the amount in Nepalese rupees equivalent to the foreign currency according to the rate of exchange prescribed by the Nepal Rastra Bank for the day of transaction.
22. **Process of Market Value Determination:** (1) While determining the market value under Section 13 of the Act, the tax officer shall determine the market value by studying the transactions and value of other vendors registered in regard to the transaction of the same nature.
- (2) In cases where the market value of any goods or services cannot be determined as set forth in sub-section (3) of Section 13 of the Act, the Director General shall determine the value on the basis also of the information received in that regard by him from the registered persons of the same nature.

## **Chapter 5**

### **Records of transactions**

23. **Maintain Records:** (1) A registered person shall for the purpose of the Act and these Rules maintain records of the following information, documents and details:-
- (a) Information as referred to in Schedule-7.
  - (b) Records relating to trade, accounts, cash receipts and payments.
  - (c) Tax invoices and abbreviated tax invoices issued by him.
  - (d) Tax invoices and abbreviated tax invoices received by him.
  - (e) All documents relating to his imports and exports,

- (f) All debit and credit notes substantiating the fluctuations in the values of goods purchased or sold by him and other documents pertaining thereto.
- (g) Books of purchases and sales as referred to in Schedules 8 and 9.
- (2) Notwithstanding anything contained in sub-rule(1), the Department may so prescribe that a registered person shall maintain some records, among those referred to in that sub-rule, in respect to special types of trade or business.

(3) A registered person may, with the approval of the Department, maintain the records required to be maintained under this Rule by using computers or another similar mechanical system or the method as prescribed by the Department.

(4) The tax officer may inspect the records maintained by a registered person under this Rule at any time during working hours.

*Explanation: For the purpose of this Rule, "working hours" means the period between the time of opening and closing of the transactions, except on public holidays.*

(5) A registered person shall make available the details and documents relating to the records demanded by the tax officer in the course of inspecting the records pursuant to sub-rule (4), by having them printed at his own expense.

(6) It shall be the duty of a registered person to provide necessary staff in order to assist the tax officer in inspecting the records pursuant to sub-rule (4).

(7) A registered person shall keep the records maintained under this Rule safe for up to six years.

24. **Particulars of the Goods Distributed for Sample or Received Free of Cost:** In addition to the records mentioned in Rule 23, a registered person shall also maintain the following particulars relating to his transactions.

- (a) Particulars of the goods distributed in the form of samples for the promotion of business.
- (b) Particulars of the goods received free of cost.

25. **Provision on Certification of Books of Sales and Purchases:** While certifying the books of sales and purchases by the tax officer pursuant to sub-section (3) of Section 16 of the Act, he shall certify as follows:

- (a) In case a tax-payer submits an application to the office for certification of the books of purchases and sales,
- (b) During the period of tax inspection or audit,
- (c) At the time of inspection.

## **Chapter 6**

### **Tax Return and Collection**

26. **To Submit Tax Return of Tax Period:** (1) A registered person shall submit to the concerned tax officer the tax return of one-month tax period according to the Bikram Era, in the format referred to in Schedule-10, within 25 days of the expiry of that period.

(2) Notwithstanding anything contained in sub-rule (1), in case any registered person applies to the tax officer to have the tax period fixed for a tax period other than the tax period mentioned in sub-rule (1), having maintained the accounts by him using a computer system, the tax officer may, if he so deems proper after investigations, fix, as per necessity, a separate tax period in respect of such registered person.

(3) The tax period of a taxpayer who has registered voluntarily pursuant to Section 9 of the Act and whose annual turnover is of value up to one million rupees may be fixed at four months.

(4) A registered person whose tax period has been so fixed to be more or less than one month shall submit his tax return of that period to the tax officer in the format referred to in Schedule-10 within 25 days of the date of expiry of that period.

(5) A taxpayer shall, when submitting the tax return for the first time, submit the tax return for the remainder of the period as if the remaining period was the full tax period.

27. **To Require to Submit a Tax Return through the Heir or Legal Representative:** In case any registered person dies or becomes mentally or physically incapacitated to submit the tax return, the tax officer may, considering him to have supplied the goods or services till the day preceding his death or becoming mentally or physically unable, require his heir or legal representative to submit a tax return for that period.
28. **To Submit a Tax Return Individually or Jointly:** The following persons shall submit the tax return individually or jointly in the following circumstances:
- (a) In cases where any taxpayer becomes incapable to submit a tax return or he dies; his heir or guardian,
  - (b) In cases where any taxpayer is a legal person, any director, executive chief or any employee appointed by the management, on behalf of such a taxpayer,
  - (c) In case any taxpayer is a legal person and such legal person is dissolved or liquidated by the liquidator,
  - (d) In other circumstances other than those mentioned above, the person concerned with the taxpayer and prescribed by the tax officer.

## **Chapter 7**

### **Assessment and Recovery of Tax**

29. **Tax Officer May Assess Tax:** (1) In cases arising from circumstances referred to in sub-section (1) of Section 20 of the Act, the tax officer may assess tax on the basis of the grounds as set forth in sub-section (2) of the said Section as well as market price or any other information and notices related to the transactions of which tax is to be determined and the issue tax assessment order in the format indicated in Schedule-12.
- (2) The concerned taxpayer shall be given a time limit of seven days to submit evidence in his favour against the tax assessment order issued by the tax officer pursuant to sub-rule(1).
- (3) The tax officer, if he deems any evidence submitted by the concerned taxpayer in his favour within the time limit set forth in sub-rule (2) to be appropriate, shall assess the tax pursuant to sub-rule (1) on the basis thereof and issue a tax assessment order. While so issuing the tax assessment order, the order shall also indicate the additional charges chargeable pursuant to sub-section (2) and (3) of Section 19 of the Act up to the date of issue of the order as well as the interest amount chargeable pursuant to Section 26.
- Explanation: In calculating interest, it shall be calculated on the basis of one part of twelve parts per month*

30. **To Pay Tax, Additional Fees and Interest Amount:** The concerned taxpayer shall deposit the tax, additional fees and the interest amount referred to in the tax assessment order within seven days of receipt of such an order to the concerned Tax Office.
31. **Procedure of Sending Notices of Tax Assessment Order:** (1) Notwithstanding anything mentioned in the prevalent laws, while issuing a tax assessment order by the tax officer to a taxpayer pursuant to Rule 29, if the order is sent by telefax, telex or other similar electronic devices installed at the address of such taxpayer or such order is delivered to himself or at his office or through registered post to his address, it shall be deemed to have been duly delivered.
- (2) In case the tax assessment order could not be delivered under sub-rule (1), the tax officer may inform the concerned taxpayer thereof by broadcasting or publishing a notice of such order through radio, television or in any national newspaper. In such a situation such information shall be deemed to have been received by the concerned taxpayer.
32. **Assessment and Recovery of Tax Collected by an Unregistered Person:** (1) In case an unregistered person collects tax, the assessment of tax collected by him under sub-section (2) of Section 15 of the Act shall be done by following the procedures as referred to in Rule 29.
- (2) The tax assessed under sub-rule (1) shall be paid by the unregistered person having collected such tax within seven days of the issue of the tax assessment order.
33. **Method of Tax Assessment of Used Goods:** (1) Tax Assessment of the used goods shall be done only on the saving between the selling and cost price of such goods. The vendor of such goods shall maintain a permanent record as mentioned below at the very time of the buying or selling of such goods:-
- (a) **Relating to Purchase :**
- (1) Date of Purchase,
  - (2) Particulars giving full information of the goods,
  - (3) Buying price excluding tax,
  - (4) Rate of tax,
  - (5) Amount of tax,
  - (6) Total amount paid.
- (b) **Relating to Sale :**
- (1) Date of sale,
  - (2) Selling price, excluding tax.
  - (3) Difference between the buying price and the selling price,
  - (4) Rate of tax,
  - (5) Amount of tax,
  - (6) Total amount received.
- (2) The buying price referred to in sub-rule (1) means the price including tax.
- (3) In case the buying price of every item of used goods exceeds ten thousand rupees, separate records of buying or selling shall be maintained.
- (4) In case a registered person is found not to have satisfactorily maintained the records referred to in sub-rules (1), (2) and (3), tax shall be imposed on the total selling price of the goods sold by such taxpayer, and the tax officer may issue a written order requiring him to pay such tax along with the next tax return.

34. **To Submit a Tax Return Prior to Filing Appeal:** Prior to filing an appeal by a taxpayer against a tax assessment order made pursuant to Rule 29, he must submit his tax return of that period to the concerned tax officer.
35. **Circumstances Beyond Control:** (1) The following circumstances shall be deemed to be circumstances beyond control for the purpose of sub-section (4) of Section 19 of the Act:
- (a) In case the person required to pay tax becomes disabled due to falling ill; up to seven days of the date of his recovery.
  - (b) In case the person required to pay tax is to observe obsequies; up to seven days of the end of the obsequies,
  - (c) In case a woman required to pay tax delivers a child; up to thirty five days of the date of delivery,
  - (d) In case the person required to pay tax dies or becomes insane or disappears and his heir or guardian submits an application within thirty five days of the date of such incident; up to seven days of receipt of such application,
  - (e) In circumstances when the person required to pay tax has not been able to come to the Tax Office because of the closure of a road due to floods, landslides or similar other reasons; up to seven days of opening of the road,
  - (f) In circumstances when he cannot come to the tax office due to total haltag of transport; up to the next day of the end of such haltag.
- (2) In case an additional time limit shall be required to be requested due to circumstances beyond control referred to in clauses (a), (b), (c), (d) and (e) of sub-rule (1); the recommendation of the concerned Village Development Committee or Municipality shall be submitted.
- (3) While requesting for an additional time-limit due to the circumstance referred to in clause (f) of sub-rule (1), the recommendation of the Village Development Committee or Municipality concerned with the place where the haltag of means of transport has taken place, shall be submitted.
36. **Time-Limit for Applying for Remission of Additional Charges:** (1) For the remission of the additional charges pursuant to sub-section (4) of Section 19 of the Act, an application shall be submitted to the Director General within thirty days of the expiry of time-limit prescribed for payment of tax in the format set forth in Schedule-13.
- (2) In case an application is not submitted within the time-limit referred to in sub-rule (1), the waiver of additional charges shall not be granted.
37. **Tax Assessment Period:** While calculating the period referred to in sub-section (4) of Section 20 of the Act, in case a petition has been filed with any court in regard to tax, and a stay order has been issued, the period shall be calculated by deducting the period until which the petition is decided.
38. **Time-Limit for Collection of Tax:** While calculating the time-limit pursuant to sub-section (2) of Section 21 of the Act, in case an appeal has been filed, the period from the date of filing such appeal to the date of decision shall not be included.

## Chapter 8

### **Provisions Concerning Tax Deductions and Tax Refund**

39. **Tax May be Deducted:** (1) A registered person may deduct the tax paid by him while importing or purchasing any taxable goods or services during the concerned month or before that month from the tax collected by him while supplying any goods or services, in the following circumstances:-

- (a) In case the goods or services in respect of which a claim for deduction of tax has been made are directly related with the taxable business.
- (b) In the case of internal purchases, tax invoices referred to in Rule 17 have been received.
- (c) In the case of imports, there are import documents evidencing the payment of tax at the time of import.

*Explanation: For the purpose of this Chapter "import documents" means import declaration forms, cash receipts, invoices of goods and such other documents relating thereto as prescribed by the Department from time to time.*

(2) Tax deduction may be made only once under this Rule. When making a tax deduction, there must be invoices or the import documents up to one year before the date of making the claim.

(3) When submitting the tax return of each tax period by a registered person, he must deposit with the tax office the amount left in balance after deducting the tax paid while purchasing or importing the goods from the tax collected by him while selling the goods.

(4) In case the amount of tax paid by a registered person when purchasing or importing is higher than the amount collected by him when selling, he may deduct such excess amount in the next tax period. In a case where the amount allowed to be so deducted in the next tax period remains in balance for 6 months consecutively, he must submit an application to the tax officer in the format as set forth in Schedule 14 for a refund in a lump sum. The tax officer shall upon receipt of such application refund the remaining tax pursuant to Rule 45.

(5) In case any registered person exports amounts to more than fifty percent of his total monthly sale in any month, he must submit an application to the tax officer, enclosing therewith necessary export documents in the format as set forth in Schedule-15 for refund of the excess amount of tax to be deducted for the month. The tax officer shall upon receipt of such application refund the remaining tax pursuant to Rule 45. While making a decision to refund the remaining tax, the tax officer shall take the following matters into account :

- (a) Whether or not he has paid tax on purchases or imports.
- (b) Whether or not he has submitted a tax return required to be submitted by him earlier, and if submitted, whether or not the claim of tax refund is substantiated by such tax return.

*Explanation: For the purpose of this Chapter, "export documents " means export certificates, certificates of receipt of goods, certificates of payment, letters of credit, certificates of origin and such documents pertaining thereto as prescribed by the Department, in the case of exports other than those made on a barter basis; and certificates of payment shall be substituted by import declaration forms, in the case of goods exported on a barter basis.*

40. **Other Provisions Regarding Tax Deductions:** (1) In case the goods of which tax has been deducted are in stock, such goods are to be shown or allowed to be counted if the tax officer desires to see or count such goods. While seeing or counting such goods by the tax officer, if he finds such goods not to have been used in taxable transactions or been kept in stock, such goods shall be deemed to have been sold at the current market value.

(2) The concerned tax officer may order the concerned tax-payer to pay the tax payable on the goods sold pursuant to sub-rule (1). Such tax amount shall be paid together with the tax return of the month prescribed by the tax officer.

Provided that if the tax officer feels that there is a situation where the tax cannot be realised if it is not realised forthwith he may require the taxpayer to pay the tax forthwith.

(3) In case any taxpayer has carried on both the transactions of taxable goods or services and tax-exempt goods or services such taxpayer may deduct only the tax paid on purchases or imports directly related to the taxable goods or services.

(4) In case a taxpayer carrying out the transactions of both taxable and tax-exempt goods or services fails to establish the direct relationship of the purchased or imported goods with the taxable goods or services, such taxpayer may deduct the amount of tax paid on his purchases or imports by calculating the proportion of taxable transaction value out of his total sale value.

(5) While calculating tax pursuant to sub-rule (4), if the tax officer feels that it cannot be calculated proportionally, he may seek direction from the Department to calculate it through another alternative method.

41. **Goods or Services In Respect of Which Tax May not be Deducted:** (1) For the purpose of Section 17 of the Act, tax may not be deducted in respect of the following goods or services:

- (a) Beverages,
  - (b) Alcohol or alcohol mixed beverages such as liquor and beers;
  - (c) Light petroleum (Petrol) fuel for vehicles,
  - (d) Entertainment expenses.
- (2) Tax on the following goods may be deducted on the following proportion:
- (a) On all aircraft, 40 percent of purchase value.
  - (b) On automobiles, 40 percent of purchase value.
  - (c) On computers, 60 percent of purchase value.

*Explanation: For the purpose of clause (b), the term 'automobile' means any motor vehicle with three or more wheels used on a road for carriage of passengers.*

(3) In case a registered person carries on a business of those goods referred to in sub-rules(1) or (2) as the principle business, it shall not bar the deduction of tax according to the procedures as set forth in these Rules.

42. **Provisions Regarding Deduction of Sales Tax:** Only the sales tax paid on the following goods left in stock before the commencement of this Act shall be allowed to be deducted:

- (a) On goods bought by a taxpayer for resale,
- (b) On goods and services partially produced or ancillary goods for the business,
- (c) On raw materials, auxiliary raw materials, and packing materials.

43. **Application To be Submitted:** (1) A Taxpayer may submit an application to the tax officer in the format set forth in Schedule-16 to have a deduction of Sales Tax paid by him on his stock of goods at the time of registering himself, the portion of the Sales Tax yet to be deducted according to the previous monthly statement and tax paid on taxable transactions.

(2) While making a claim for the deduction of Sales Tax or tax pursuant to sub-rule (1), the concerned taxpayer must also submit invoices of payment of Sales Tax or tax and other documentary evidence within 15 days of registration. In absence of the documentary evidence referred to in this Rule deduction of tax shall not be made pursuant to sub-rule (1).

(3) In case the claim made pursuant to sub-rule (1), is amended or rejected by the tax officer, or in case it is found that such tax has already been deducted, the tax officer may take action against such Taxpayer pursuant to the Act and these Rules.

(4) In case the claim made under this Rule is accepted by the tax officer, the concerned taxpayer may deduct the amount claimed pursuant to sub-rule (1), according to sub-rule (4) of Rule 39.

44. **Provision Relating to Tax Deductions in Respect of Used Goods:** For the purpose of sub-section (5) of Section 17 of the Act, tax paid on the purchase of used goods from a person not registered and even if from a registered person, tax paid on the goods referred to in Section 17 of the Act, and those brought for personal use, shall not be allowed to be deducted.
45. **Provision Regarding Refund of Tax:** (1) When refunding the amount of tax for the purpose of sub-section (3) and (4) of Section 24 or Section 25 of the Act, the tax officer shall immediately investigate the evidence submitted by the taxpayer for the refund of tax and refund the tax within 30 days of the date of registration of the claim.
- (2) If it shall be necessary to reinvestigate the evidence so received, it shall be done without delay and refund given within 15 days . If the amount to be refunded exceeds Rs. 20,000/- it shall be so refunded to his bank account.
- (3) While making a claim for a tax refund by a person not registered for the purpose of clauses (a), (b) and (c) of sub-section (1) of Section 25, he shall directly apply to the Department in the format referred to in Schedules -17, -18 and -19, respectively.
46. **Not to be Refunded:** Amounts to be refunded under the Act and these Rules, copies of the decisions, orders, judgements, memos or other documents where copies need to be obtained shall not be refunded or provided in cases where an application was submitted three years after the expiry of the accounting period.
47. **Rate of Interest:** For the purpose of sub-section (5) of Section 24 of the Act, the rate of interest to be paid by His Majesty's Government shall be equal to the rate of interest payable on government bonds maturing in a year. Such interest amount shall be calculated only after 60 days from the date of the application for refund pursuant to sub-sections (3) and (4) of Section 24 of the Act.

## Chapter 9

### **Provisions on Imports and Exports**

48. **Tax on Imports:** (1) Goods to be imported into the Kingdom of Nepal shall be subject to tax at the rate payable on goods supplied within Nepal.
- (2) When fixing the value for the purpose of the determination of tax on imported goods or services, it shall be determined by following the process referred to in sub-section (5) and (6) of Section 12 of the Act.
- (3) In case the value of any imported goods cannot be determined at the time of import, such goods shall be allowed to be imported into the Kingdom of Nepal only upon obtaining a deposit sufficient to meet all types of taxes or charges payable on such goods. Until the value of the goods or services imported by a registered person is determined, no tax paid on such goods or services may be deducted.
- (4) In case any goods have been imported by furnishing a deposit, a claim for a tax deduction may be made only within a year from the date of determination of the value.

49. **Provisions Regarding Temporary Imports:** (1) In case of goods (to be) imported on a duty-free basis on the condition that they shall be taken back later, permission shall be granted to import such goods upon obtaining a deposit of the tax payable on them on the basis of the estimated value determined by the customs with provision to refund it at the time when they are taken back.
- (2) Tax shall be imposed on the import duty itself on the goods or articles imported on a temporary basis subject to temporary import duty.
50. **Supervision and Management by the Director General:** His Majesty's Government may by a notification published in the Nepal Gazette so designate that the supervision and management of the tax to be collected pursuant to Section 28 of the Act is to be carried out by the Director General. The Director may if he deems it necessary order the tax officer to carry out the acts and actions as mentioned below, for the purpose of monitoring matters concerning the goods or services imported :
- (a) To take a sample of the goods or articles imported and ensure that tax has been imposed sufficiently; and return the sample to the concerned taxpayer within a reasonable time,
- (b) To enter into, inspect, search at a reasonable time in places, buildings, godowns, shops etc. connected with the transactions and make enquiries of the concerned person,
- (c) To take custody of the documents connected with the purchase, sale or imports, obtain copies of them, inspect them, remove them and return documents removed within a reasonable time if he deems it reasonable upon the request of the concerned taxpayer.
51. **Special Provisions on Amounts Received In Imports:** (1) For the purpose of Sections 24 and 25 of the Act, the entire tax amount collected at the customs point shall be deposited into the Value Added Tax Fund account on a daily basis, and the Customs Office shall send statements thereof to the nearest Value Added Tax Office within three days.
- (2) The balance after refunding the amounts ordered by the Department out of the amounts to be deposited into the fund referred to in sub-rule (1) shall be deposited into the prescribed Revenue Account on a daily basis.
- (3) The procedures of the operation of the fund, opening of bank account, expenditures out of fund and depositing into the Revenue Account shall be as prescribed by the office of the Comptroller General.

## Chapter 10

### **Provision Relating to Stoppage of Property, Auction Sale, and Searches**

52. **Provision on Stoppage of Property:** (1) In case the taxpayer fails to pay the tax, charges and interest to be paid under the Act and these Rules within the time-limit set forth in Rule 30, the tax officer shall pursuant to Section 21 of the Act, by obtaining permission from the Director General in the form as mentioned in Schedule-20, realise the tax arrears, charges, penalties and interest.
- (2) When taking into custody of or auctioning any property of a taxpayer for the purpose of sub-rule (1), the procedure shall be as follows:

- (a) Furnishing notice, in writing to the concerned office to stop movable or immovable property of the taxpayer from its sale, distribution or transferral of its entitlement until the payment of tax.
  - (b) In case the tax officer finds that any property belonging to the taxpayer is being kept with or under the custody of any particular person, he shall, subject to this Rule, issue an order to the concerned person to stop such custody of the property.
53. **Provision on Auction Sale:** (1) In case the tax is not realised even after taking action pursuant to Rule 52, the tax officer may realize the tax by auctioning, wholly or partially the property of the taxpayer, by fulfilling the following procedures :
- (a) To identify the property to be auctioned and publicly publish notice indicating the reason for auction sale, as well as venue and date of auction sale at least 15 days before the date of auction sale.
  - (b) To conduct the auction sale, with a witness of one representative of the Village Development Committee or Metropolis/ sub-metropolis/ Municipality of the place where the goods in the auction sale are located or a representative of the nearest government office and if possible the taxpayer or his representative.
- (2) All the expenses incurred on the auction sale shall first of all be borne out of the amount realized from the auction sale pursuant to sub-rule (1); tax, charges, penalties and interest payable by the taxpayer shall then be realized from the balance; and the surplus, if any, shall be refunded to the taxpayer.
- (3) Notwithstanding anything contained in sub-rules (1) and (2), where the taxpayer, prior to the conduct of the auction sale of his property, comes forward to pay the entire amount including all the expenses relating to the auction sale, tax, charges, penalties and interest to be paid by him, the same shall be collected and the auction sale shall be stopped.
- (4) Notwithstanding anything contained in Rule 52, when the tax officer receives information before fully realizing the tax payable by the taxpayer that the taxpayer has amounts deposited in his name with a bank or financial institution, and where such amount is realized the remaining actions of the auction sale shall be stopped.
- (5) In case realization is likely to be made partially, it shall be made in the order-expenses relating to auction sale, interest, charges, penalties and tax.
54. **To Conduct an Auction Immediately:** In case the property stopped is likely to decay, rot or wear out because of prolonged period of stoppage resulting from the filing of a petition or appeal in any court in respect of the stoppage of the property, the tax officer shall conduct the auction sale of such goods or articles immediately and credit the proceeds thereof; and in case the amount stopped is later decided to be refundable to the taxpayer according to a court decision, only the amount obtained from the auction sale shall be refunded to him. The taxpayer shall not be entitled to claim for the return of the goods or articles.
55. **Search Procedures:** (1) In case it becomes necessary to conduct searches pursuant to clause (b) of sub-section (2) of Section 23 of the Act, the following procedures shall be adopted.
- (a) Where there are reasonable grounds to believe that any documents or goods related to the subject in respect of which the searches are to be conducted are likely to be found in any house or in any other place, and there is a possibility that such goods or articles cannot be found if that house or place is not

- searched immediately, or it is necessary to search immediately the tax officer may himself search or cause to be searched or deputize an employee to search such house or place.
- (b) By setting out the reason for the searches the person conducting a search shall notify the owner or custodian of the house or place and those who are living in such house or place that the house or place is to be searched under clause (a); and such person shall upon receipt of such notice allow the person conducting the search to enter in such house or place.
  - (c) In case the person living in or owner or custodian of the house to be searched under clause(b) does not allow the person conducting the search to enter in such house or place, the person conducting the search shall give notice and reasonable time to the women living in the house or place to go away from there, and may search therein by entering by opening or breaking any window or fastener as per necessity.
  - (d) In conducting the search under clause (c), it shall be witnessed by at least one member of the concerned Village Development Committee, Metropolis/Sub-metropolis or Municipality, or two local people or houseowner or his representative or any person.
  - (e) In case any person is not found as witness or refuses to become a witness under clause (d) the process referred to in clause (c) shall be deemed to have been completed after taking the signature of the person conducting the search, with indicating remarks to that effect.
  - (f) In conducting a search under this Rule, if the body of any person is to be searched, such search may be conducted and if the person to be searched is a woman, she shall be searched by a woman.
  - (g) The details of the goods or items or documents obtained while conducting the search under these Rules shall be prepared and submitted to the Department within three days.

## **Chapter 11**

### **Miscellaneous**

- 56. **Provision Regarding Goods or Services to be Supplied within the Kingdom of Nepal:** While purchasing or acquiring the goods or services on which tax of value of ten thousand rupees is payable at a time within the Kingdom of Nepal by His Majesty's Government or the association, organisation or office owned by His Majesty's Government or constitutional bodies, such goods or services shall be purchased or acquired only with a registered person.
- 57. **Regarding Diplomatic Privileges:** For the purpose of clause (a) of sub-section (1) of Section 25 of the Act, a person enjoying diplomatic privileges shall submit an application, accompanied with the note given by the Ministry of Foreign Affairs, to the Department for the refund of tax amount.
- 58. **Free Cooperation and Information:** His Majesty's Government shall provide free of cost the following cooperation and information :
  - (a) Information regarding the process to be adopted for the purpose of tax,
  - (b) Publications on taxpayer's education.

59. **Pleadings on Matters Concerning Value Added Tax:** In case it becomes necessary to plead any case concerning tax, it shall be done by the government attorney.
60. **Format of Identity Card:** The format of the tax officer identity card shall be as set forth in Schedule 21.
61. **To Issue Manual:** His Majesty's Government, Ministry of Finance may make and issue necessary manuals in order to implement the Act and these Rules.
62. **Alterations and Changes in the Schedules:** His Majesty's Government may by publishing notification in the Nepal Gazette effect necessary alterations or changes in the Schedules.
63. **Repeal and Saving:** (1) The following Rules are hereby repealed:
- (a) The Entertainment Tax Rules, 2018 (1961).
  - (b) The Sales Tax Rules, 2024 (1967).
  - (c) The Contract Tax Rules, 2024 (1967).
- (2) Acts done or actions taken under the Rules mentioned in sub-rule (1) shall be deemed to have been done or taken under these Rules.