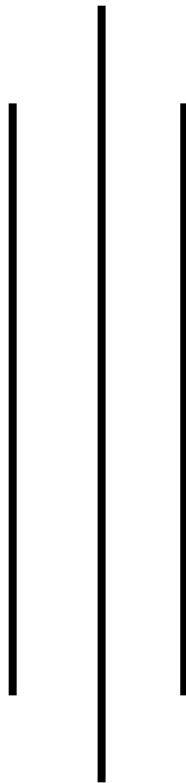




Tax Expenditure Report

for

the Year 2023 and 2024



Government of Nepal
Ministry of Finance
Singhadurbar, Kathmandu

July 2025

PREFACE

The state collects tax as a source of revenue to fund the services and development projects that it delivers to the citizens. However, public welfare is just as important to the state as revenue collection. When creating revenue strategies, different tax exemptions and concessions are created to achieve the same objective.

In developed countries, the exemptions and concessions offered in this manner are studied and analyzed annually. Based on the study, the foundation for the upcoming year's budget is prepared and published publicly as part of the budget. This sort of research and publishing, on the one hand, promotes the transparency and accountability of tax administration; and on the other, it creates the groundwork for reconsidering whether to maintain any policy connected to exemptions and concessions in the future years.

At the beginning of the 1970s, Germany and the United States recorded Tax Expenditure (TE) in special accounts and reported them to parliament. By 1983, other countries including Australia, Austria, Canada, France and Spain were also regularly identifying Tax Expenditures and reporting them. In 1996, almost all OECD member countries reported Tax Expenditures. The OECD published studies on Tax Expenditures in 1984 and 1996 (OECD, 1984; OECD, 1996) and issued a special feature about Tax Expenditures and tax/GDP ratios in the 2003 edition of the revenue statistics (OECD, 2003).

Nepal joined this global movement with the initiation of its own Tax Expenditure Study, guided by the Inland Revenue Department's (IRD) third reform plan and second strategic plan, both emphasizing the need for an integrated and transparent tax system.

Building on this foundation, comprehensive Tax Expenditure Reports for FY 2079/80 (2022/23) and 2080/81 (2023/24) have been successfully concluded. These reports were prepared with technical assistance from the IRD and Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ), and with the expertise of external consultants R P B & Associates, Chartered Accountants. Their involvement was instrumental in collecting, analyzing, and presenting tax expenditure data in a structured and internationally aligned format.

The Ministry of Finance (MoF) has included the Strategy to "Publish Tax Expenditure Details" (Strategy Code 20103) in the Domestic Revenue Mobilization Strategy (DRMS) in 2024 with the action code 2020301 "Develop an integrated online portal to manage Master List of tax exempted and rebated goods along with quantity, foregone customs, VAT, Excise, and other taxes", 2010302 "Integrate all Tax Expenditure data from the Department of Customs and the Inland Revenue Department" and 2010303 "Publish Tax Expenditure Report annually".

The MOF recognizes that Tax Expenditure analysis is not just a technical exercise, it is essential to building a transparent, accountable, and evidence-based fiscal policy framework. These efforts equip the Ministry of Finance with critical data for shaping future budgets, while also informing taxpayers, citizens and investors about the scope and rationale behind tax relief policies.

This publication is a continuation of Nepal's evolving tax reform journey. It underscores a growing national commitment to fiscal transparency, effective governance, and policy accountability and marks a meaningful step toward modernizing tax policy in the interest of long-term, inclusive development.

DISCLAIMER

This report provides quantitative estimations of Tax Expenditures, emphasizing the precision of numerical values. Acknowledging the potential influence of various factors on actual tax expenses, the report issues cautionary guidance for interpreting these estimations.

Revenue foregone does not account for any transitional provisions or changes in government policy that may arise from the removal of a specific measure; instead, it solely offers quantitative figures. Enforcement of law, taxpayer's compliance, the effective dates of revised legislation, the exact wording of the legislation and taxpayer's behavior are some of the variables that may have impact on actual revenues. Due to the complex interactions among various factors, the actual revenue once exclusions are eliminated might differ.

The Tax Expenditure outlined in this report does not constitute only the concessions, exemptions, rebates and credits provided by the IRD and DoC to the tax payers under the tax bracket, but also incorporates the impact of revenue which might have been foregone in accordance with internationally recognized principles governing the estimation of tax expenditures.

This Report of Tax Expenditure incorporates the national level data of taxes pertaining to Income Tax, Value Added Tax, Excise Duty and Customs Duty at the federal level structure. The sub-national tax expenditure has not been covered.

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ABBREVIATIONS

BS	- <i>Bikram Sambat</i>
CIT	- Corporate Income Tax
DoC	- Department of Customs
DRMS	- Domestic Revenue Mobilization Strategy
DTAA	- Double Taxation Avoidance Agreement
EU	- European Union
FPO	- Further Public Offering
FY	- Fiscal Year
GDP	- Gross Domestic Product
GEDSI	- Gender Equality, Disability and Social Inclusion
GoN	- Government of Nepal
GTED	- Global Tax Expenditure Database
HS Code	- Harmonized System Code
IB	- Implementing Body
ICT	- Information and Communications Technology
IMF	- International Monetary Fund
IRD	- Inland Revenue Department
IT	- Information Technology
ITR	- Income Tax Return
KW	- Kilo Watt
LC	- Letter of Credit
MoF	- Ministry of Finance
MW	- Mega Watt
N/A	- Not Available
N/C	- Not Considered
N/S	- Not Segregated
NB	- <i>Nota Bene</i>
NGO	- Non-Governmental Organization
No.	- Number
NPR	- Nepalese Rupees
NRB	- Nepal Rastra Bank
OECD	- Organization for Economic Cooperation and Development
PAN	- Permanent Account Number
PE	- Permanent Establishment
PIT	- Personal Income Tax
R&D	- Research and Development
SAARC	- South Asian Association for Regional Cooperation
SAFTA	- South Asian Free Trade Area
SEBON	- Securities Board of Nepal
SEZ	- Special Economic Zone
SN	- Serial Number
TE	- Tax Expenditure
US	- United States
USD	- United States Dollar
VAT	- Value Added Tax

NEPAL: AN INSIGHT (2024)



31.2

(Million)

Population



NPR 5,704.80

USD 42.68

(Billion)

GDP



NPR 191,668

USD 1,434

Per-Capita GDP



18.56%

(of GDP)

**Total Government
Revenue**



26.57%

(of GDP)

**Total Government
Expenditures**



42.68%

(of GDP)

**Public debt
Obligations**

Tax Structure

Net Tax Revenue 2024 and 2023

Revenue types	2024		2023	
	Amount (NPR in Billion)	% Total	Amount (NPR in Billion)	% Total
Value Added Tax	314.63	33.31%	290.60	33.57%
Income Tax	281.50	29.80%	249.58	28.83%
Excise	139.72	14.79%	136.29	15.75%
Customs Duty	189.93	20.11%	173.50	20.04%
Other tax	18.82	1.99%	15.65	1.81%
Total Tax Revenue	944.60	100.00%	865.62	100.00%

STATISTICAL INSIGHT INTO TAX EXPENDITURE 2024 and 2023

NPR 309.25

(Billion)

**Total
Revenue
Foregone**

2024

5.42%

**Total TE as
% of GDP**

2024

31.46%

**Total TE as
% of Total
Revenue**

2024



NPR 306.57

(Billion)

**Total
Revenue
Foregone**

2023

5.73%

**Total TE as
% of GDP**

2023

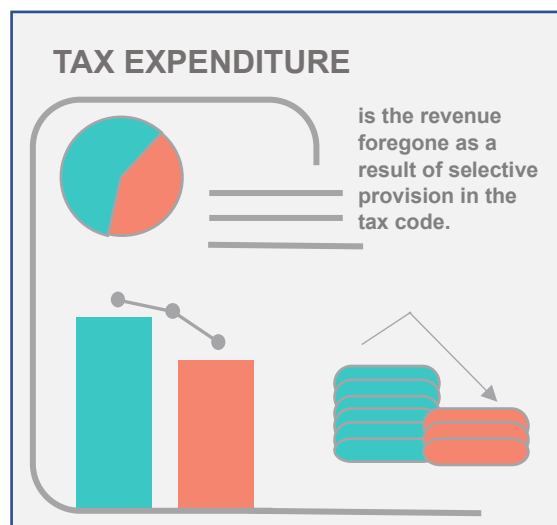
33.11%

**Total TE as
% of Total
Revenue**

2023

EXECUTIVE SUMMARY

Tax Expenditures are a diverge from the “standard” tax code that lower the tax burden of individuals or businesses, through an exemption, deduction, credit, or preferential rate. This occurrence is identified and evaluated with reference to a benchmark framework established to represent the tax revenues projected under standard fiscal conditions. To establish a benchmark and estimate the revenues foregone resulting from Tax Expenditures, Tax Expenditures must be identified and agreed upon. Once the benchmark is identified then, the provisions of tax legislation can be contrasted against this benchmark. In the context of this report, the standard "Revenue Foregone" methodology is employed to estimate the Tax Expenditure associated with the Value Added Tax, Income Tax, Excise Duty and Customs Duty. This methodology quantifies the direct ex-post revenue loss associated with the provisions related to the statutory tax rates.



The Ministry of Finance (MoF) has included the Strategy to “Publish Tax Expenditure Details” (Strategy Code 20103) in the Domestic Revenue Mobilization Strategy (DRMS) in 2024 with the action code 2020301 “Develop an integrated online portal to manage Master List of tax exempted and rebated goods along with quantity, foregone customs, VAT, Excise, and other taxes”, 2010302 “Integrate all Tax Expenditure data from the Department of Customs and the Inland Revenue Department” and 2010303 “Publish Tax Expenditure Report annually”.

This report is based on the data of Fiscal Year¹ 2080/81 (2023/24) and 2079/80 (2022/23) with a few exceptions. In the circumstances under which the data from the internal sources, i.e. IRD could not be obtained, the external sources (Ministries, Departments and Concerned Organizations) have been taken for our analysis. Similarly, circumstances under which the data was not available from internal or external sources, the field was marked as ‘N/A’ in the report.

The Tax expenditure on VAT has been calculated using the information available from VAT returns and Import data for 2024 and 2023 as available from IRD and Department of Customs. Data from other external sources has also been considered based on necessity, availability and authenticity. As there is a single VAT rate of 13% on all items, the VAT expenditure is calculated on the VAT exempted items as per Schedule 1 of Value Added Tax Act 2052 (1996) based on the assumption if such items were not exempted. The VAT amount foregone at the time of import has also been

¹ In Nepal, a Fiscal Year refers to the year beginning from mid-July of one year and ending on mid-July of subsequent year (i.e. 1st Ashadh to end of Shrawan). For the purpose of this Study, FY 2080/81 (2023/24) has been denoted by “2024” and FY 2079/80 (2022/23) has been denoted by “2023”.

considered from the data received from the Department of Customs. Further, the impact of value addition on the imported items has been taken into account.

The Tax Expenditure on Income Tax has been calculated using the information available from the tax returns of 2024 and 2023 as available from IRD and considering the available data from external sources. The statutory rates listed in Schedule 1 of the Income Tax Act 2058 (2002) have been taken as the benchmark rates as updated by the Finance Act 2079 (2022) and Finance Act 2080 (2023). The Tax Expenditures have been calculated in four broad categories namely: Exemptions, Tax Credits, Concessions and Rebates.

The various heads of income and the origin-of-income concept for residents and non-residents as outlined in Section 1 and 2 of Schedule 1 of Income Tax Act 2058 (2002) have been taken as the benchmark for scope of base for the calculation.

Tax Expenditure on Excise Duty is estimated by comparing the Excise Duty that would have been collected at a base rate (base rate plus exemption) with duty collected after exemptions. The difference is the foregone revenue due to exemptions and concessions. Major sources of exemption were: Excise Duty Act, Notes to the Schedule of Excise Duty Act, Duty Foregone at Customs Point, Finance Act. The base rate used is the standard domestic or import Excise Duty in the event of such exemptions.

Tax Expenditure on Customs Duty is estimated using data from the Department of Customs. It is based on loss revenue codes that indicate foregone customs duties due to statutory exemptions or concessions under various legal provisions.

There are certain limitations to the interpretation of estimates in this study. The expenditure amounts are calculated assuming that all other provisions of that tax type remain unchanged. It should be understood that the corresponding rise in revenue may not be in same amount as predicted if certain Tax Expenditures are eliminated. Enforcement of law, taxpayer's compliance, the effective dates of revised legislation, the exact wording of the legislation and taxpayer's behavior are some of the variables that may have impact on actual revenues. Further, the actual revenue would also depend on the overall economic activity of the country, elasticity of commodities and services, economic activity type and other relevant factors. Consequently, due to the complex interactions among various factors, the actual revenue once exclusions are eliminated might differ.

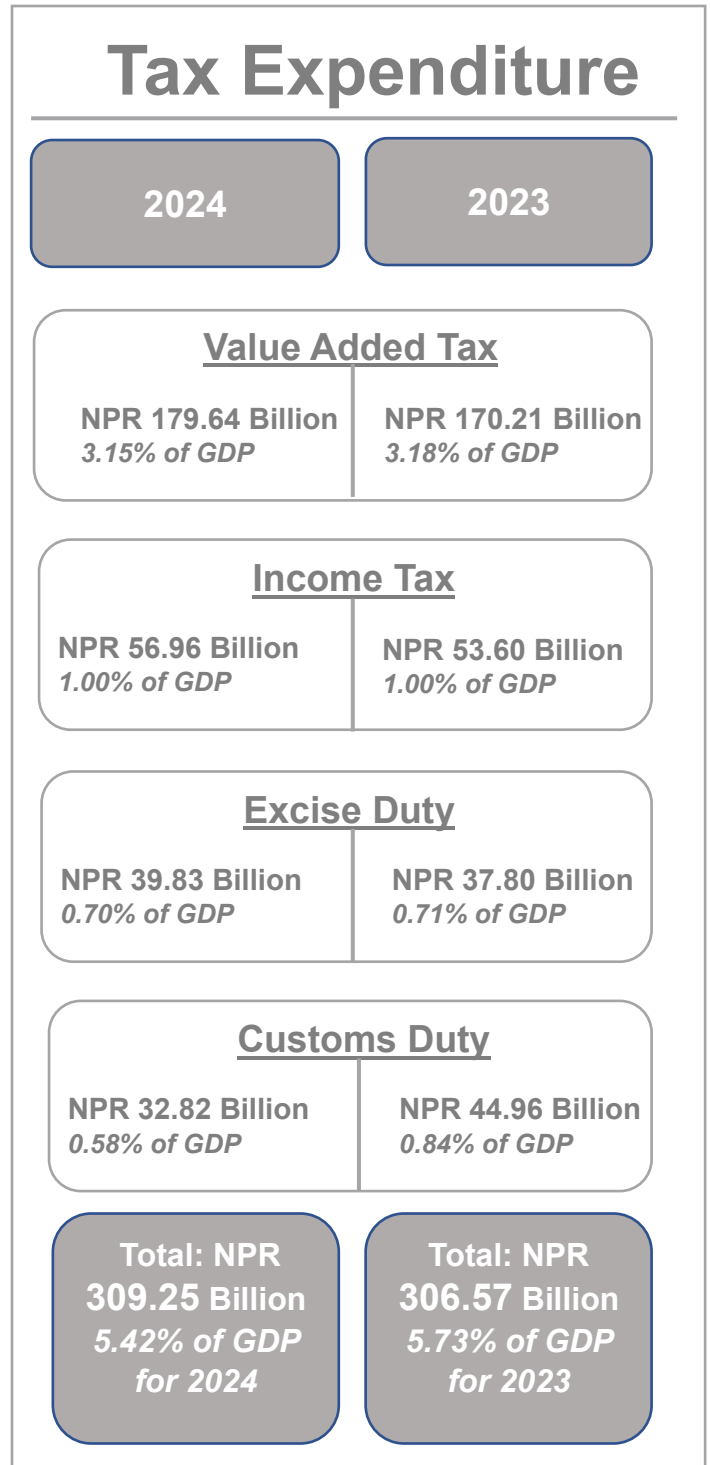
This Tax Expenditure Report constitutes the revenue foregone with regards to Value Added Tax, Income Tax, Excise Duty, Customs Duty, and rebates under the Finance Act. The Tax Expenditure is estimated to be **5.42%** of GDP and **31.46%** of Total Tax Revenue for 2024 whereas Tax Expenditure is estimated to be **5.73%** of GDP² and **33.11%** of Total Tax Revenue³ for 2023.

² Gross Domestic Product (GDP) for 2023 and 2024 is NPR 5,348.53 Billion and NPR 5,704.8 Billion respectively.

³ Total Tax Revenue is the total tax collected on the heads Value Added Tax, Income Tax, Excise Duty, Customs Duty, Other tax (except non-tax revenue).

Key Findings:

- ❖ The total Federal Tax Expenditure based on data related to 2024 and 2023 (is estimated at 309.25 Billion and NPR 306.57 Billion respectively) (Table 1).
- ❖ Total Tax Expenditure constitutes approximately 31.46% of Total Tax Revenue⁴ and 5.42% of GDP in 2024 and 33.11% of Total Tax Revenue and 5.73% of GDP in 2023.
- ❖ VAT Expenditure: NPR 179.64 Billion (58.09% of Total Tax Expenditure and 3.15% of GDP) in 2024 and NPR 170.21 Billion (55.52% of Total Tax Expenditure and 3.18% of GDP) in 2023.
- ❖ Income Tax Expenditure: NPR 56.96 Billion (18.42% of Total Tax Expenditure and 1.00% of GDP) in 2024 and NPR 53.60 Billion (17.48% of Total Tax Expenditure and 1.00% of GDP) in 2023.
- ❖ Excise Duty Expenditure: NPR 39.83 Billion (12.88% of Total Tax Expenditure and 0.70% of GDP) in 2024 and NPR 37.80 Billion (12.33% of Total Tax Expenditure and 0.71% of GDP) in 2023.
- ❖ Customs Expenditure: NPR 32.82 Billion (10.61% of Total Tax Expenditure and 0.58% of GDP) in 2024 and NPR 44.96 Billion (14.67% of Total Tax Expenditure and 0.84% of GDP) in 2023.



⁴ Total Tax Revenue is the total tax collected on the heads Income Tax, Value Added Tax, Excise Duty, Customs Duty, Other tax (except non-tax revenue).

1. TAX EXPENDITURE

International comparisons of Tax Expenditures are limited due to differences in benchmark tax systems, incompatible data, and lack of consensus on the definition of the benchmark tax system. In broad terms, Tax Expenditures are concessions that lie outside a tax standard or benchmark, which includes rate structure, accounting rules, the deductibility of mandatory payments, provisions to facilitate tax administration, and international fiscal commitments. They represent revenue the government foregone from this baseline tax system, to enhance equity in tax system and stimulate economic growth and investment by favoring a specific groups or sectors with fiscal transparency and accountability.

Recently, developing countries have focused attention on the usefulness of Tax Expenditures in shaping prudent and transparent fiscal policy. In adopting a market economy, developing countries commonly use Tax Expenditures as major fiscal policy instruments.

The concept of Tax Expenditure has been defined as under:

- As per Tax Expenditure Reporting and Its Use in Fiscal Management, A Guide for Developing Economies⁵ defines “Tax Expenditures as a reduction in tax liability compared with a ‘benchmark tax system’ which may take different forms, can be temporary or permanent, and can be included in tax laws or other laws, such as free and economic zone laws, investment codes, and so on.”
- Global Tax Expenditures Transparency Index⁶ defines “Tax Expenditures (TEs) as benefits granted through the tax system that lower government revenue and the tax liability of beneficiaries. Governments worldwide use TEs to pursue different policy goals such as attracting investment, boosting innovation and mitigating inequality.”
- World Bank Group⁷ defines “Tax Expenditures as revenue losses attributable to special provisions in the law, such as exemptions, deductions, credits, and preferential tax rates, that are used as tools to promote economic activities, support social policies, and address market failures. The term ‘Tax Expenditure’ may sound like a bit of an oxymoron as the term ‘tax’ connotes collection whereas the term ‘expenditure’ connotes spending. In effect, they represent government spending through the tax system for favored activities or groups.”
- The U.S. Treasury⁸ officially defines them as “revenue losses attributable to provisions of the federal tax laws which allow a special exclusion, exemption, or deduction from gross income or which provide a special credit, a preferential rate of tax, or a deferral of tax liability.”

⁵ This definition derives from the practice of tax expenditure accounting, rather than theory, and goes back more than 50 years, when it started in Germany. (<https://www.elibrary.imf.org>)

⁶ Governments worldwide use TEs to pursue different policy goals such as attracting investment, boosting innovation and mitigating inequality. (<https://www.taxexpenditures.org>)

⁷ TE are tax breaks for certain economic flows resulting in revenue loss and therefore, constituting a shortfall for the State Budget. (<https://documents.worldbank.org>)

⁸ A tax expenditure is an exception to baseline provisions of the tax structure that usually results in a reduction in the amount of tax owed. (<https://home.treasury.gov>)

- According to the Organization for Economic Co-operation and Development (OECD) (2004)⁹, “Tax Expenditures are transfers of public resources carried out by reducing the tax liabilities of taxpayers relative to a tax system without the benefits to the taxpayers (the benchmark).”

The International Monetary Fund (2007) and the OECD (Organization for Economic Co-operation and Development) (2002, 2010) recommend that a government should estimate and report the revenue impact of at least key Tax Expenditures. A World Bank paper (Li Swift 2006) recommends the same. Tax Expenditure reporting serves three important functions:

First, it enhances the government’s fiscal management by exposing all forms of government spending, both direct spending and indirect spending through the tax code, to the same level of scrutiny in the budget process. This facilitates informed decision making, as well as public understanding and advocacy.

Second, reporting enables analysis that can help determine the best tools for government to use to achieve its policy goals (e.g., through public ownership of resources, regulation, direct spending, taxation, or Tax Expenditures). Tax Expenditure analysis is no different from public policy analysis more generally, as it entails consideration of the best means of achieving a government’s objectives.

Third, Tax Expenditure reporting promotes analysis of tax policy principles, making Tax Expenditure advocacy one avenue by which civil society organizations can advance claims about the fairness and effectiveness of the tax system.

Tax Expenditure constitute specific provisions within the tax system that diverge from a defined “benchmark” tax structure. A benchmark should be based on the prevailing system of Income Tax with the existing statutory tax schedule.

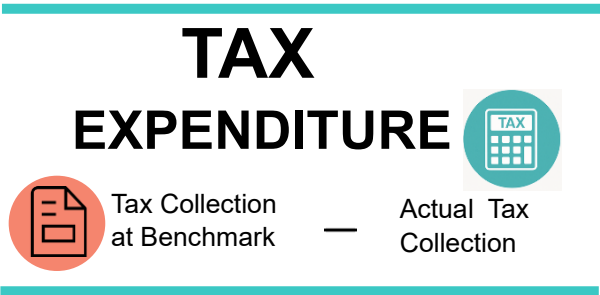
The Tax Expenditure budget illustrates the anticipated revenue reductions stemming from distinct exclusions, exemptions, weighted-deductions, credits, reductions in tax rates, square-off, or square-off refunds outlined in the Income Tax Act 2058 (2002), Value Added Tax Act 2052 (1996), Excise Duty Act 2058 (2002), Customs Duty Act 2064 (2007), Finance Act 2079 (2022) and Finance Act 2080 (2023). This framework enhances communication with taxpayers and deepens the government’s comprehension of tax policy. Leveraging Tax Expenditures can enhance transparency in the fiscal policy-making process and contribute to effective financial management.

⁹ TE are transfers of public resources carried out by reducing the tax liabilities, Organization for Economic Co-operation and Development (OECD) (2004). (<https://www.adb.org>)

1.1. METHODOLOGY AND MEASUREMENT

The "Revenue Foregone" approach, widely employed on a global scale, serves as the methodology for estimating Tax Expenditure in this report. It involves calculating the actual tax liability and then comparing it with the benchmark. The resulting difference represents the tax revenue foregone or Tax Expenditure.

The data pertaining to the Income Tax Act 2058 (2002) has been compiled from both external and internal sources. External data was extracted through various ministries, departments, and organizations as detailed in Annexure 1 of this report. Internally, most of the information was sourced from the Inland Revenue Department, specifically from individuals and entities who have filed Income Tax returns. The dataset reflects the data extracted from the IRD database. Similarly, the data pertaining to the Value Added Tax Act 2052 (1996) has been compiled mostly from the external sources. Further, in case of Excise Duty, data on production volumes and price per unit has been sourced from external references.



This report adopts a methodology in which the benchmark tax structure is defined by focusing solely on the core elements of the tax system. The objective of the Study includes the identification of the revenue foregone to the government as the result of the tax concessions, exemptions, credits and rebates and suggestions about the effectiveness of the same provision to the intended beneficiaries.

The following codes are presented in the circumstances under which the Tax Expenditure estimates are not quantified:

- 'N/A' refers to 'Not Available', indicating the data was not available from external and internal sources.
- 'N/C' refers to 'Not Considered', indicating the revenue foregone has not been considered taking into consideration the essence of taxation principle and international practice.
- 'N/S' refers to 'Not Segregated', indicating the data of individual Revenue Foregone head are nominal at individual level and hence clubbed in totality.

1.1.1 MEASUREMENT OF VALUE ADDED TAX EXPENDITURE

The VAT return database of IRD is analyzed in the Tax Expenditure study for VAT in 2024 and 2023, with the usual VAT rate of 13% serving as the baseline. In order to estimate the Tax Expenditure, this method takes into account the possibility of a tax due at a regular rate in the event that no tax incentives are available. The approach computes the VAT revenue foregone as the difference between the actual VAT paid and the prospective liability at 13%. Adjustments are made to gross estimates to avoid duplication and improve accuracy.

The following factors have been considered in the Value Added Tax to determine the revenue foregone as a result of exemptions and concessions:

- I. **VAT Exempted Items** - Schedule 1 of the Value Added Tax Act 2052 (1996) consists of the Groups of items that are exempt from VAT have been considered for the revenue foregone.
- II. **VAT Exempted Items with conditions** - Schedule 1 of the Value Added Tax Act 2052 (1996) consists of the Groups of the items with the condition which have been considered as the revenue foregone in the fulfillment of the condition, as it deviates from the benchmark rate. For instance, the items with the condition mentioned in Group 11 of Value Added Tax Act 2052 (1996).
- III. **Concession/Rebate for non-registration** - The revenue foregone due to non-registration of person falling below the compulsory registration threshold limit have also been considered as part of revenue foregone.

1.1.2 MEASUREMENT OF INCOME TAX EXPENDITURE

Income Tax Expenditure has been estimated by taking the data of Income Tax Returns for 2024 and 2023 as provided by IRD and data from external sources. Tax rates given in Schedule 1 of the Income Tax Act 2058 (2002) are taken as benchmark rates as modified and updated by the Finance Act 2080 (2023) and Finance Act 2079 (2022). These rates are applied to incomes declared to compute the normal tax amount. Any variation or concession in tax rates within Schedule 1 is not considered as a deviation from the benchmark.

The Tax Expenditures pertaining to Income Tax have been categorized into the following distinct parts for a more structured analysis:

- I. **Tax Exemptions: Exclusions from the tax base** - Under Section 10 of the Income Tax Act 2058 (2002), the income of the individuals and entity are exempted from the tax. The individuals comprise of foreign individuals having the residency on the basis of employment and the entities comprise of different institutions such as entities partially or wholly owned by the Government.
- II. **Tax Credits: Amounts deducted from the tax liability** - Under Section 51, Section 71, Sub-Section 11 of Section 1 of Schedule 1 of the Income Tax Act 2058 (2002), the tax credit facilities have been provided for the medical expenses incurred, foreign tax paid and tax-credit on slab rate to women respectively.
- III. **Tax Concessions: reduced rates and waivers** - Under Section 11 of the Income Tax 2058 (2002), the concession in the tax rate has been provided to the special industry and other industries too. Certain concessions are granted for life, while others are only granted for a specific amount of time.
- IV. **Tax Concessions: Non-taxation** - Under Section 64 of the Income Tax 2058 (2002), the tax concession has been allowed to the approved retirement funds.

FINANCE ACT 2080 (2023) and FINANCE ACT 2079 (2022)

The pronouncements issued by the Government of Nepal, as officially published in the Nepal Gazette, carry significant weight and relevance in accordance with the provisions laid out in Finance Act 2080 (2023) and Finance Act 2079 (2022). Furthermore, the decisions put forth by the Ministry of Finance, along with their respective implications on the relevant time frames, are also duly recognized and accorded due consideration within the scope of our analysis.

The sections stated in the Finance Act from Section 18 – 39 of Finance Act 2080 (2023) and from Section 18 – 31 of Finance Act 2079 (2022) have been studied for the purpose of determining revenue foregone.

TAX TREATIES

Nepal has signed one multilateral and eleven bilateral tax treaties¹⁰. In the tax treaties, few of the items have limited taxing right to the country of source and few of the items have unilateral taxing right to the country of resident of the person having source of income in Nepal. The revenue foregone due to the provisions of tax treaties have not been considered.

1.1.3 MEASUREMENT OF EXCISE DUTY EXPENDITURE

The measurement of Excise Duty expenditure for 2024 and 2023 is based on a legal reference approach of the Excise Duty Act and its accompanying Notes to the Schedule, which specify goods and services eligible for full or partial excise exemption. In this report, the benchmark Excise Duty rate is defined as the rate that would apply under normal circumstances in the absence of such exemptions. For domestically produced goods listed in the Schedule, the applicable import Excise Duty rate is used as the benchmark. The Tax Expenditure is estimated by calculating the difference between the Excise Duty that would have been collected at the benchmark rate and the duty foregone due to exemptions.

The following factors have been considered in the Excise Duty to determine the revenue foregone as a result of exemptions and concessions:

- I. General Exemptions** - Section 3Kha and 4Ga of Excise Duty Act 2058 (2002) consists of exempted items for diplomatic, re-export, project-based reasons have been considered for the revenue foregone.
- II. Exemptions for Domestic Preference** - The Notes to the Schedule of the Excise Duty Act list certain domestically produced goods that are either fully or partially exempt from Excise Duty. In such cases, the benchmark rate for estimation is the Excise Duty that would have applied if the same goods were imported.

¹⁰ Nepal has signed Double Tax Avoidance Agreement (DTAA) with eleven countries, namely: India, Norway, Thailand, Qatar, Mauritius, Korea, Austria, China, Sri Lanka, Pakistan and Bangladesh. It has also signed a SAARC Limited Multilateral Agreement on Avoidance of Double Taxation and Mutual Administrative Assistance in Tax Matters.

- III. **Exemptions under the Finance Act** - The Finance Act may introduce time-bound or targeted excise exemptions and rate reductions. Tax Expenditure has been calculated using the standard excise rate that would apply in the absence of such provisions.
- IV. **Exemptions at Customs Point** - Some excise exemptions are granted at the import stage through the Customs Duty Act Finance Act and Excise Duty Act itself, such as on imports entering Nepal via bonded warehouses, diplomatic channels, or approved projects.

1.1.4 MEASUREMENT OF CUSTOMS DUTY EXPENDITURE

The estimation of Tax Expenditure related to Customs Duty foregone has been derived exclusively from data obtained from the Department of Customs.

1.2. BENCHMARK TAX

To identify a Tax Expenditure, a baseline is needed against which a tax-reducing measure can be recognized as either part of the 'normal' tax structure or as a Tax Expenditure. This benchmark may be seen as a tax system that is firmly based on the important tax policymaking principles of neutrality, efficiency and equality.

However, since different nations have different perspectives on and weights assigned to these concepts, they often define their benchmark tax systems differently. Since assumptions about the benchmark will influence which tax measures are classified as tax spending, it is difficult to compare Tax Expenditure estimates between nations.

The benchmark tax system in the context of Nepal has been classified into three: first for the Income Tax, second for Value Added Tax and finally for Excise Duty. The benchmark tax for Income Tax has been categorized at the individual and the corporate level. For the individual, the rate mentioned in Section 1 of Schedule 1; and for the corporates, the rate mentioned in Section 2 of Schedule 1 of Income Tax Act 2058 (2002) has been considered as the benchmark tax system. For the head of income having final withholding tax, withholding tax rate itself is assumed to be the benchmark. In case of social security allowance received by individuals, the least personal income tax rate (i.e. 1%) has been considered as the benchmark rate taking into account the social cause. In case of capital gains, the highest personal income tax rate for capital gain tax (i.e.10%) under Section 1 of Schedule 1 of Income Tax Act 2058 (2002) has been considered as the benchmark rate.

The average rate of individuals has been derived from the weighted average rate of all the individuals and proprietorship firms filing ITR in 2024 and 2023. The estimation of the effective rate is **14.64% and 14.03%** for 2024 and 2023 respectively.

The benchmark tax for Value Added Tax has been considered as the single tax rate of 13%. Any deviation from these benchmark tax systems shall be considered as the revenue foregone, i.e., the Tax Expenditure.

International guidelines¹¹ indicate that Tax Expenditures occur when similar products are taxed at different rates, recommending the highest per unit rate as the benchmark. However, Nepal's excise system faces distinct challenges. Excise revenues fluctuate due to a reliance on ad valorem rates, even though specific rates would offer more stability but are less common. The duty structure is also highly complex, with multiple rates even within the same product class, and the absence of detailed domestic excise data by HS code makes a harm-based benchmark impractical. Therefore, a legal reference approach has been considered adopting the statutory excise rate on imports as the benchmark for estimating Tax Expenditures.

To estimate Tax Expenditure, the benchmark for Excise Duty is defined as the rates applied to imported goods. Under the Excise Duty Act 2058 (2002) and its schedule notes, certain goods are fully or partially exempt when produced domestically, despite being taxed if imported. These exemptions or reduced rates for local production deviate from the benchmark and are therefore treated as Tax Expenditures, representing revenue foregone.

For exemptions under Sections 3Kha and 4Ga of the Excise Duty Act 2058 (2002), the benchmark is the standard Excise Duty rate that would apply under normal conditions, including for domestic supply, imports exempted under diplomatic or project-based provisions, and excisable items during domestic production or re-import. In cases of raw material credit being provided to exporters, the benchmark includes the duty without such setoffs.

In case of Customs Duty, the data received from the Department of Customs has been considered with benchmark based on the tariff rates mentioned in the Customs Duty Act.

1.3. BASES AND ASSUMPTIONS

The report thoroughly examines final and total consumption figures across various sectors for 2024 and 2023, aiming to inform the calculation of final consumption for Value Added Tax Expenditure. It highlights sector-specific consumption patterns and the proportion of final consumption relative to total consumption. The breakdown of sectors, encompassing agriculture, mining, construction, textiles, transport, ICT, health, and government, offers a comprehensive view of consumption dynamics impacting the VAT landscape.

Intermediate consumption consists of goods and services used up in the course of production within the accounting period. Final consumption consists of goods and services used by individual households or the community to satisfy their individual or collective needs or wants. The activity of gross fixed capital formation, like intermediate consumption, is restricted to institutional units in their capacity as producers. Fixed assets are produced assets (such as machinery, equipment, buildings or other structures) that are used repeatedly or continuously in production over several accounting periods (more than one year). The distinction between intermediate consumption and gross capital formation depends on whether the goods and services involved are completely used up in the accounting period or not.¹²

¹¹ International Guidelines Reports on TE on Excise, Tax Expenditure Reporting Guide by Heady and Mansour, 2019 and the Tax Expenditure Manual 2024 by the World Bank Group (<https://www.elibrary.imf.org> and <https://documents.worldbank.org>)

¹² Classification by Broad Economic Categories Rev.5, United Nations 2016

Similarly, in case of Income Tax Expenditure, while determining the self-consumption pattern of traditional agro-forestry activities, generally, four or five layers starting from the farmers, collectors, wholesalers, retailers and the ultimate consumers have been considered for supply chain value addition.

Table 1 Assumption Basis for Final Consumption

Particulars	Final Consumption (NPR in '000)		Total Consumption (NPR in '000)		% of Final Consumption	
	2024	2023	2024	2023	2024	2023
Agriculture, forestry, fishing, food, beverages, tobacco	109,135,744	110,523,657	306,824,183	352,361,430	36%	31%
Mining, quarrying, refinery, fuels, chemicals, electricity, water, waste treatment	300,605,371	310,217,321	431,440,438	444,009,342	70%	70%
Construction, wood, glass, stone, basic metals, housing, electrical appliances, furniture	40,656,368	35,242,756	231,426,034	224,108,472	18%	16%
Textile, apparel, shoes, jewelry, leather	50,430,521	39,261,291	148,374,602	151,891,540	34%	26%
Transport equipment and services, travel, postal services	57,267,267	32,655,120	260,549,454	231,491,461	22%	14%
ICT, media, computers, business and financial services	39,629,802	37,473,737	78,843,239	81,874,441	50%	46%
Health, pharmaceuticals, education, cultural, sport	63,250,745	52,531,757	125,621,926	117,562,919	50%	45%
Government, military and other	88,110	66,644	9,905,655	8,432,168	1%	1%
Total	661,065,928	617,972,283	1,592,985,531	1,611,731,773		

Source: Statistical Tables 2023/24, NRB ([Current-macroeconomic-situation-Tables-Based-on-Annual-data-of-2023/24](#))

Note: The final consumption percentage as per the above table has been taken into consideration.

2. SUMMARY OF TAX EXPENDITURE ESTIMATES

The tax expenditure estimates of this Study under VAT, Income Tax, Excise Duty and Customs Duty have been summarized as under:

Table 2 Summary of Tax Expenditure Estimates

S.N.	Particulars	2024		2023	
		Tax Expenditure (NPR in Billion)	Tax Expenditure as % of GDP	Tax Expenditure (NPR in Billion)	Tax Expenditure as % of GDP
1	VAT Expenditure	179.64	3.15%	170.21	3.18%
2	Income Tax Expenditure	56.96	1.00%	53.60	1.00%
3	Excise Duty Expenditure	39.83	0.70%	37.80	0.71%
4	Customs Expenditure	32.82	0.58%	44.96	0.84%
	Total	309.25	5.42%	306.57	5.73%

Figure 1 Head wise Tax Expenditure in 2024 and 2023

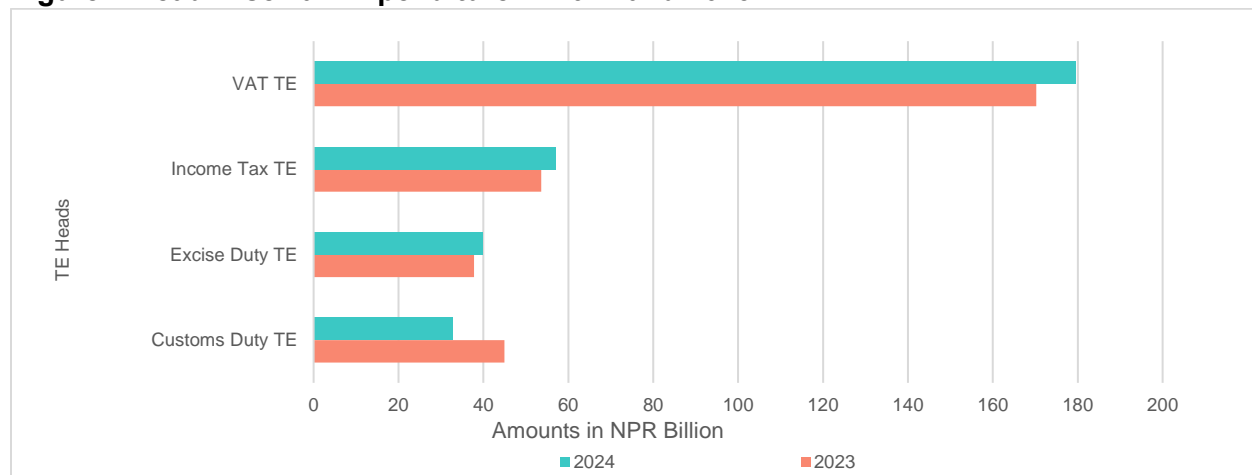


Figure 2 Head wise Tax Expenditure as % of GDP in 2024 and 2023

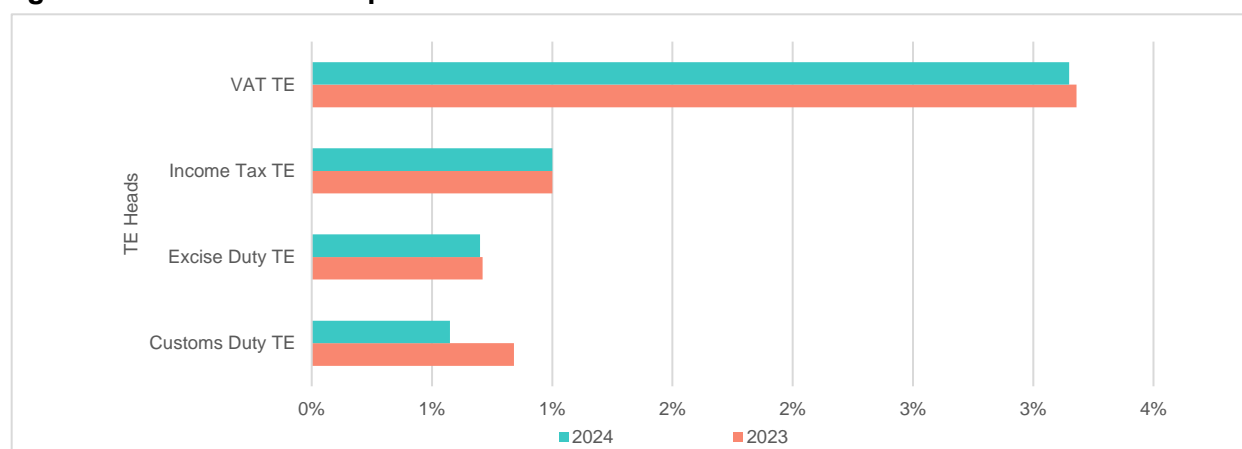


Figure 3 Head wise Tax Expenditure in 2024 and 2023 (in %)

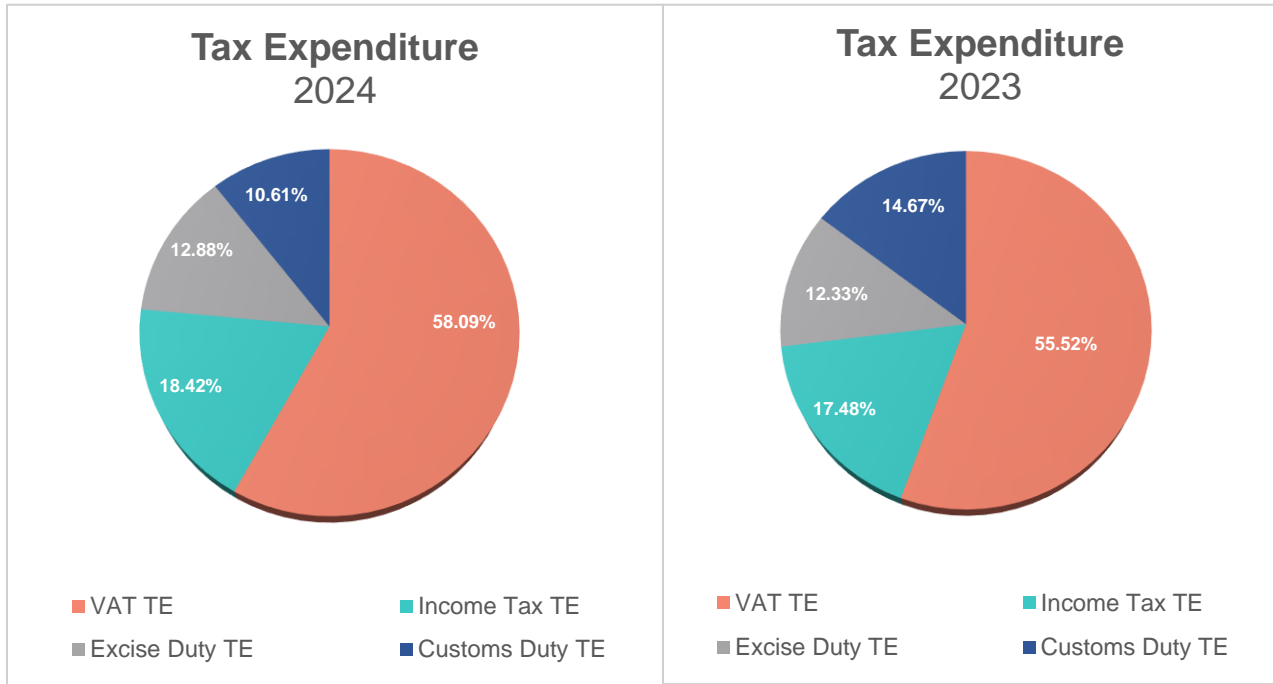
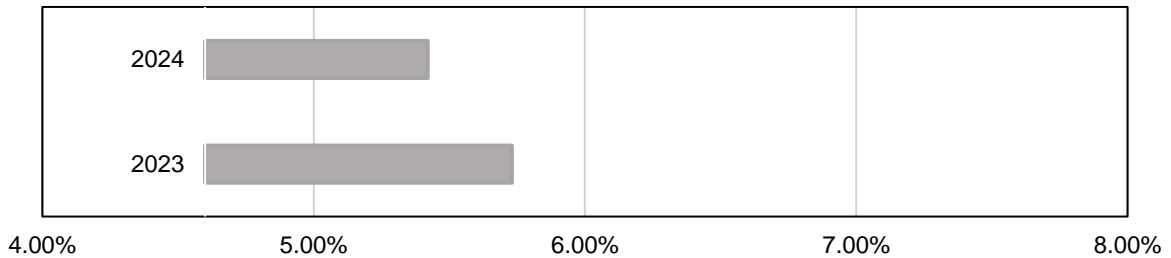


Figure 4 Percentage of Total Tax Expenditure as a % of GDP in Nepal



The “Revenue Foregone” approach was taken into consideration while computing Tax Expenditures. All the concessions, credit, exemption and rebate data which results in revenue foregone were collected and computed with the information as rendered by internal sources (IRD) and external sources (Ministries and respective bodies).

As the figure shows for 2024 and 2023 the Tax Expenditure is **5.42%** and **5.73%** respectively that is calculated taking the “Revenue Foregone” approach.

In a nutshell the percentage of Tax Expenditure has shown volatility over the period. In 2024, the Tax Expenditure has decreased in comparison to 2023.

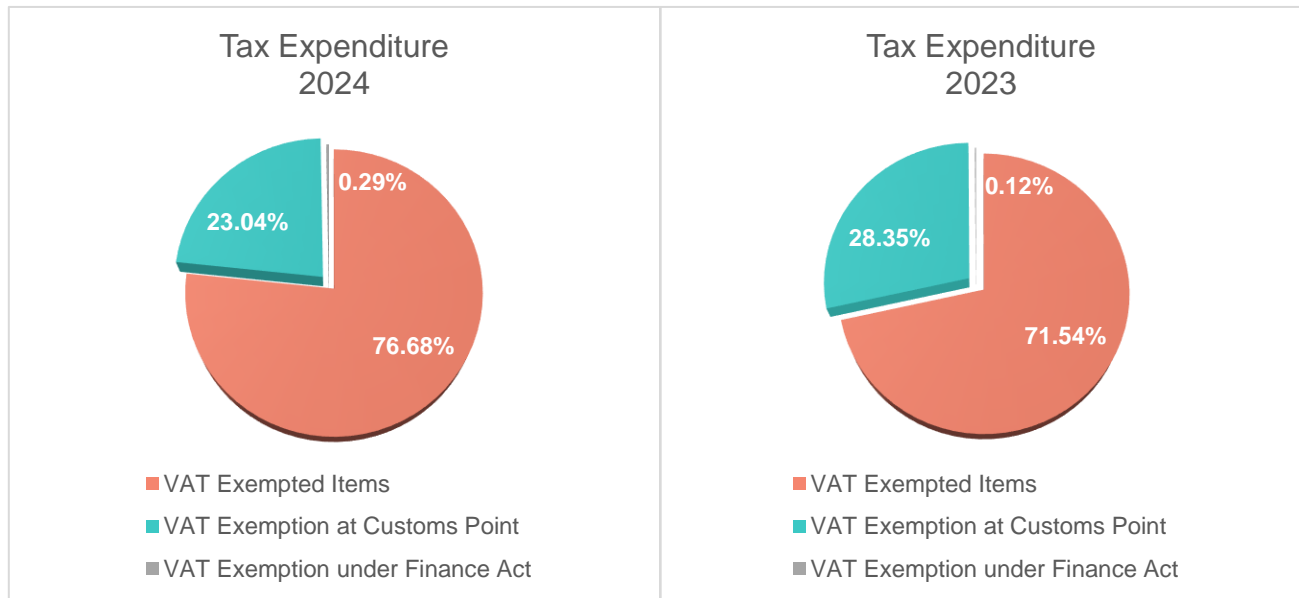
2.1. VALUE ADDED TAX EXPENDITURE ESTIMATES

Tax Expenditure on Value Added Tax (VAT) has been calculated on the local production and import for 2024 and 2023. The VAT Estimates are classified into Schedule 1 items, VAT foregone at Customs Point¹³ from Department of Customs, Finance Act 2080 (2023) and Finance Act 2079 (2022). In 2024 and 2023, the aggregate VAT Expenditure constituted **58.09% and 55.52%** of the total expenditure respectively. This Tax Expenditure is composed of a hundred percent from Schedule 1 items, and zero percent from rebates for non-registration. The rebates of non-registration in VAT have not been quantified. The Tax Expenditure within the VAT tax system represents around **3.15% and 3.18%** of the Gross Domestic Product (GDP) in 2024 and 2023 respectively.

Table 3 Summary of Value Added Tax (VAT) Expenditure

Exemption Head	2024		2023	
	Tax Expenditure (NPR in '000)	Percentage	Tax Expenditure (NPR in '000)	Percentage
VAT Exempted Transactions	137,744,989	76.68%	121,771,029	71.54%
VAT Exemption at Customs Point	41,386,571	23.04%	48,247,367	28.35%
VAT Exemption under Finance Act	511,995	0.29%	196,229	0.12%
Total	179,643,555	100.00%	170,214,625	100.00%

Figure 5 Composition of VAT Expenditure



¹³ The data fetched from Department of Customs has been included in calculation

2.2. INCOME TAX EXPENDITURE ESTIMATES

The Tax Expenditure from Income Tax Act 2058 (2002), is classified into exemptions, tax credits, concessions, and rebates. In 2024 and 2023 the aggregate Income Tax Expenditure constituted **18.42% and 17.48%** of the total Tax Expenditure. The Tax Expenditure within the Income Tax system represents around **1.00%** of the Gross Domestic Product (GDP) in 2024 and **1.00%** of the Gross Domestic Product (GDP) in 2023 respectively. The overview of Income Tax can be further divided into two sub-headings:

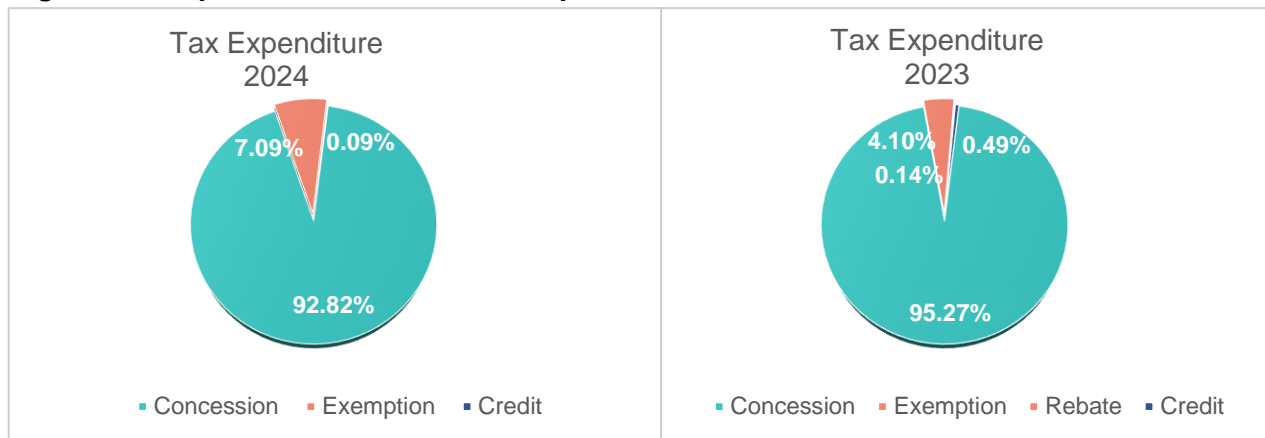
- **Corporate Income Tax (CIT)** - In Nepal, all business and investment income, excluding business expenses and capital depreciation, is subject to Income Tax. Business profits include all revenues minus deductible expenses such as operating, interest, stock-in-trade, and repair & maintenance costs. Investment income includes rent, interest, dividends, capital gains, royalties, and other non-business property gains. The estimates have been done with the benchmark based on the prevailing tax on profits with a single rate of tax (i.e., the general rate) and no tax relief, other than for usual business expenses.
- **Personal Income Tax (PIT)** - Personal taxes are subject to be taxed in accordance with the division between capital and non-capital income. The capital income is taxed at a fixed or lower tax rate, however non-capital income, which is income from employment, is taxed at a progressive tax rate. Deduction allowed while computing personal tax are donations under Section 12, benefits under Section 1 of Schedule 1 which include Remote Area allowance, Foreign Area Allowance, Pension Exemption, Handicapped allowance, Life insurance Premium, Health Insurance Premium, Private House Insurance Premium. Tax Credits such as women tax credit, foreign tax credits, medical tax credit.

Table 4 Summary of Income Tax Expenditure

Exemption Head	2024		2023	
	Tax Expenditure (NPR in '000)	Percentage	Tax Expenditure (NPR in '000)	Percentage
Concession	52,868,202	92.82%	51,068,093	95.27%
Exemption	4,040,561	7.09%	2,199,749	4.10%
Rebate	N/A	N/A	74,528	0.14%
Credit	49,064	0.09%	260,402	0.49%
Total	56,957,827	100.00%	53,602,772	100.00%

Note: 'N/A' refers to 'Not Available'

Figure 6 Composition of Income Tax Expenditure



2.3. EXCISE DUTY EXPENDITURE ESTIMATES

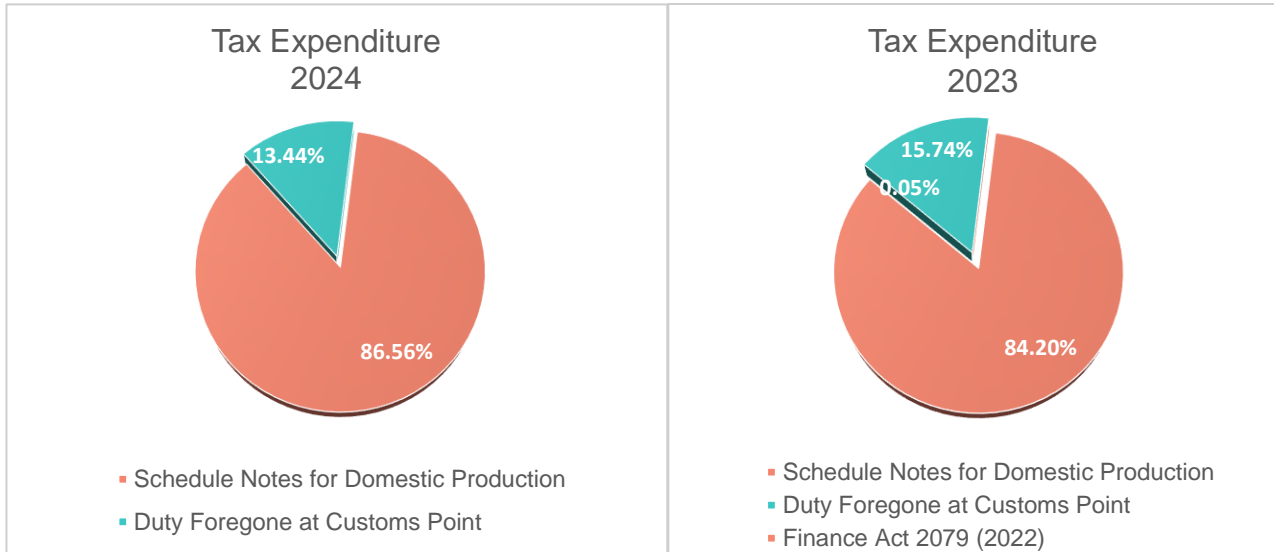
Tax Expenditure on Excise Duty has been calculated on the local production, Excise Duty foregone at Customs Point¹⁴ received from Department of Customs, Finance Act 2080 (2023) and Finance Act 2079 (2022). In 2024 and 2023, the aggregate Excise Duty Expenditure constituted **12.88%** and **12.33%** of the total Tax Expenditure respectively. The Tax Expenditure within the Excise Duty system represents around **0.70%** of the Gross Domestic Product (GDP) in 2024 and **0.71%** of the Gross Domestic Product (GDP) in 2023.

Table 5 Summary of Excise Duty Expenditure

Exemption Head	2024		2023	
	Tax Expenditure (NPR '000)	Percentage	Tax Expenditure (NPR '000)	Percentage
Domestic Production	34,480,940	86.56%	31,824,680	84.20%
Duty Foregone at Customs Point	5,352,776	13.44%	5,949,799	15.74%
Finance Act 2079 (2022)	N/A	N/A	20,576	0.05%
Total	39,833,716	100.00%	37,795,055	100.00%

Note: 'N/A' refers to 'Not Available'

Figure 7 Composition of Excise Duty Expenditure



¹⁴ The data fetched from Department of Customs has been included in calculation.

2.4. CUSTOMS DUTY EXPENDITURE ESTIMATES

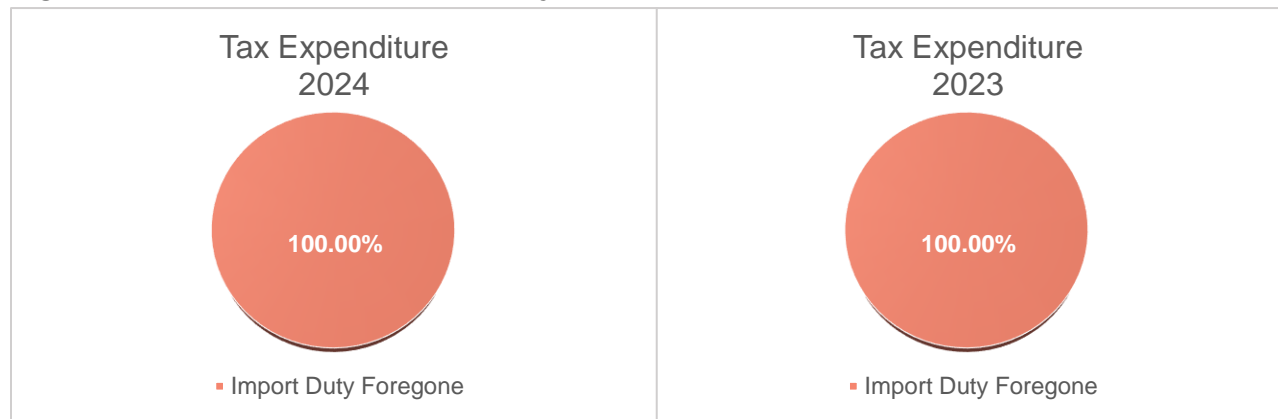
Tax Expenditure on Customs Duty has been calculated solely based on the data fetched against revenue loss codes from Department of Customs¹⁵ for 2024 and 2023. In 2024 and 2023, the aggregate Customs Tax Expenditure constituted **10.61% and 14.67%** of the total Tax Expenditure respectively. The Tax Expenditure within the Customs tax system represents around **0.58%** of the Gross Domestic Product (GDP) in 2024 and **0.84%** of the Gross Domestic Product (GDP) in 2023.

Table 6 Summary of Customs Duty Expenditure

(NPR in '000)

Particulars	Tax Expenditure 2024	Tax Expenditure 2023
Import Duty Foregone	32,819,722	44,958,710
Total	32,819,722	44,958,710

Figure 8 Composition of Customs Duty Expenditure



¹⁵ The data fetched from Department of Customs has been included in calculation.

3. DETAILED INFORMATION REGARDING THE TAX EXPENDITURE

The detailed topic-wise summary of Tax Expenditure is shown in the following part of the report.

Part A: REVENUE FOREGONE ON VALUE ADDED TAX

Table 7 Revenue Foregone for Basic Necessity Support

Description	<i>(NPR in '000)</i>	
	Tax Expenditure 2024	Tax Expenditure 2023
Basic Agricultural Products	90,214,737	75,053,417
Basic Necessary Goods	10,492,605	9,167,913
Live Animals and Live Products	24,581,256	22,686,183
Agriculture Materials	728,557	796,103
Agriculture Materials-Notes	87,983	64,712
Education	4,500	4,372
Books, Newspaper & Published Materials	35,374	33
Other Goods and Services-Type A	824,628	888,316
Other Goods and Services-Type B	27,969	32,996
Building and Land	N/A	N/A
Total	126,997,609	108,694,043

Note: 'N/A' refers to 'Not Available'

Table 8 Revenue Foregone for Cultural Incentive

Description	<i>(NPR in '000)</i>	
	Tax Expenditure 2024	Tax Expenditure 2023
Artistic and Art Service	36,780	38,135
Total	36,780	38,135

Table 9 Revenue Foregone for Employment Generating Activities

Description	<i>(NPR in '000)</i>	
	Tax Expenditure 2024	Tax Expenditure 2023
Commercial and Professional Service	370,997	642,491
Total	370,997	642,491

Table 10 Revenue Foregone for Public Health Incentive

Description	<i>(NPR in '000)</i>	
	Tax Expenditure 2024	Tax Expenditure 2023
Medication and Similar Health Services	578,102	591,752
Medication and Similar Health Services – conditional	364,808	59,002
Total	942,910	650,754

Table 11 Revenue Foregone for Public Transport

<i>(NPR in '000)</i>		
Description	Tax Expenditure 2024	Tax Expenditure 2023
Public Transportation and Carriage Service	9,396,694	11,745,605
Total	9,396,694	11,745,605

Table 12 Revenue Foregone – Others

<i>(NPR in '000)</i>		
Description	Tax Expenditure 2024	Tax Expenditure 2023
Betting, casino and lotteries	N/A	N/A
Total	N/A	N/A

Note: 'N/A' refers to 'Not Available'

Table 13 Revenue Foregone – VAT Exempted Items

<i>(NPR in '000)</i>		
Description	Tax Expenditure 2024	Tax Expenditure 2023
Basic Necessity Support	126,997,609	108,694,043
Cultural Incentive	36,780	38,135
Employment Generating Activities	370,996	642,491
Public Health Incentive	942,910	650,754
Public Transport	9,396,694	11,745,605
Others	N/A	N/A
Total	137,744,989	121,771,029

Note: 'N/A' refers to 'Not Available'

Table 14 VAT Revenue Foregone at Customs Point

<i>(NPR in '000)</i>		
Particulars	Tax Expenditure 2024	Tax Expenditure 2023
Exemption on goods returned after export	68,370	5,977
Duty exemption for goods imported by retired army personnel	2,935	2,679
Exemption for diplomatic imports sold or gifted after five years, allowed once during the official's tenure in Nepal	5,197	10,638
Partial exemption of Duty	424,396	180,422
Provision related to goods with certain subheading produced and imported from India	19,934	12,301
Provision related to imports by VAT-registered yarn industries	61,029	69,150
Provision related to imports for industries producing electric or battery-powered vehicles	0	111
Provision related to imports for blood transfusion services by Nepal Red Cross Society	4,548	4,178
Provision related to imports for visually impaired individuals	116	275
Provision related to imports for aviation services, with Duty refund under specific conditions	215,793	43,608
Provision related to imports for feed and livestock industries	209,225	60,235
Provision related to machinery and equipment imports by industries	20,110	15,456
Provision related to imports for tire manufacturing industries	637	613

Exemption for vacuum ironing tables and steam irons used by garment export industries	0	0
Provision related to imports of machinery for agriculture and animal industries, with a Duty scheme for CKD/SKD imports	160	834
Provision related to imports for registered fish farms	0	1
Provision related to imports for agriculture, horticulture, and floriculture farms	200	11,393
Concession for imports by carpet industries	1,493	1,608
Concession on Duty for specific medicines	163	0
Duty on machinery imports under CKD or SKD conditions	380	51
Concession for Duty on raw materials for textile and carpet industries	8,568	1,203
Concession for Duty on raw materials for the production of polykoting paper and printed lamination film.	73,473	78,663
Concession for Duty on machinery for the cable car industry	2,589	590
Concession for Duty on filler master batch	26,914	27,792
Concession for Duty for cooperatives or companies registered to operate public transport with buses of 40 or more seats, allowing a 5% duty on buses and chassis imported for this purpose, with restrictions on resale or transfer within 10 years	2,158	1,576
Concession for Industries making materials for prefabricated buildings get reduced duties on steel coils	1,806	3,110
Concession for disposable product industries: Exemption on imports of materials like glue, absorbent polymer, PE/PPE films, tissue paper, release paper, and non-woven fabric for production	28,353	19,801
Concession for agricultural use: Exemption on imports of insect traps, rodent glue, and related materials	184	173
Concession for Duty on iron oxide, and titanium dioxide used by the paint industry	469	414
Concession for Duty for pharmaceutical industries on the import of beam balances	4	18
Exemption for Duty for machinery and equipment for industries producing biological pesticides for crops	3	0
Concession for importing raw materials such as normal butyl alcohol, ethyl acetate, vinyl acetate monomer, and polyvinyl alcohol for adhesive manufacturing industries	789	1,238
Concession for importing brass rods for gas cylinder valve manufacturing industries for production purposes	601	418
Concession for importing petroleum bulk bitumen for industrial production purposes with a 50% reduction in customs duties	2,541	3,057
Concession for importing base oil for grease and lubricating oil production	26,241	15,116
Concession for importing parts and accessories for electric motorcycles, scooters, and rickshaws with a 75% Duty reduction	2,776	3,601
Concession for tea industry for importing various equipment, materials, and packaging components required for production and packaging, with Duty reduction	4,623	4,887
Concession for sunflower oil production industry for importing sunflower seeds, and for edible oil production industry for importing mustard, rapeseed, and sesame seeds with 50% Duty exemption	62,893	118,986
Concession for textile and garment industry for importing machinery, equipment, spare parts, chemicals, dyes, and polymers under specified headings for production purposes.	4,820	5,002
Concession for yarn industry for importing cotton under specific headings with Duty reduction	821	323
Concession for Duty on acrylic emulsion used by the paint industry.	34,757	45,545
Concession for incense stick manufacturing industry for importing DEP and incense compound	2,190	1,815
Exemption for books and magazines published by foreign publishers under specific titles	16	45

Exemption for construction materials, medical equipment, and instruments imported for the operation of national medical institutions	43,130	50,616
Concession for the import of ambulances and hearses based on the number of beds in private or community hospitals, municipalities, and local governments, with specific value limits and conditions for previous use	109,588	196,955
Concession for importing raw materials and packaging for feed and poultry industries based on consumption, sales, and export	260,071	310,935
Concession for importing advanced breed semen and embryos for livestock improvement	292	42
Concession for equipment used in solar power generation including antimonial lead alloy ingot, lead, battery box, separator, and tubular bag	390	813
Concession for items necessary for biogas production, including gas valves, fittings, pipes, gas gauges, gas lamps, and parts related to <i>Gobar</i> gas	60	187
Concession for bioenergy-based items including bio stoves, phenolic handles, and high-speed DC fans	286	152
Concession for medical machinery and equipment	230,881	250,052
Concession for machinery and materials for agricultural and livestock industries	287	1,419
Concession for pesticides, rodenticides, herbicides, disinfectants, water sanitizers, and water acidifiers for crop & livestock biosecurity	2,029	122
Exemption for medical and surgical instruments, devices, and equipment for government	8,289	27,669
Exemption for materials, machinery, and parts used in the production of intraocular lenses for eye treatment	12,445	10,511
Exemption for vehicles imported by foreign missions and donor organizations with diplomatic or customs privileges	8,971	12,397
Exemption for raw materials, auxiliary materials, and chemicals used in pharmaceutical production	1,584,839	1,365,049
Exemption on Duty for deep cycle lead-acid batteries and lithium-ion batteries used in tempos	1,085	767
Exemption of Duty for paint manufacturing industries on materials such as iron oxide, propylene glycol, pigments, solvents, chemicals, and polymers	275	255
Exemption of Duty for temporarily exported films for development, processing, or screening	1,312	51
Concession for first-time importation of materials for hotel construction	7,341	7,354
Concession for mountaineering expeditions importing goods for climbing Nepal's mountains	38	12
Concession for syringe production and direct saline bottle production industries	248	6,796
Concession for buses used by educational institutions	21,945	32,027
Concession for cold storage construction	18	448
Concession for medical equipment imports	114,961	177,232
Duty Concessions for COVID-19 Prevention and Treatment Imports	0	34,965
Exemption on Raw Materials for Production for Ayurvedic Medicine Industry	469	0
Concession for Air Handling Units Used in Pharmaceutical Production	3,043	4,952
Concession for Raw Materials for Surgical Mask Production	50	77
Exemption on Scooters for Persons with Disabilities	5,628	5,568
Exemption for Nepalese Army based on Ministry of Defense's Recommendation	274,821	1,189,382
Exemption for Nepal Police based on Ministry of Home Affairs' Recommendation	5,294	21,025
Exemption for Armed Police Force based on Ministry of Home Affairs' Recommendation	1,391	19,883

Concession for Various Electronic and Luxury Goods	913	1,395
Exemption on Import of Agricultural Ambulance or Transport Vehicle by Local Authorities	55	0
Concession on Special Utensils for Poultry Feeding and Seed Trays	5,070	913
Exemption for materials Imported by Industries	111,538	112,078
Exemption on import of urine bags	66	22
Exemption on Machinery and Equipment for Vaccine Industry Establishment	0	1,141
Exemption on Machinery and Equipment for Liquid Oxygen Industry Establishment	0	499
Concession on Import of Sanitary Pads, Tampons& Menstrual Cups	31	13,771
Concession on Import of Machinery by Small, Household, and Cottage Industries	0	9
Concession on Import of Components and Materials for Production of Electric, Solar, or Battery-Powered Vehicles	249	7
Concession on Import of Non-Woven Fabric for Bag Production Industry	752	0
Concession on Import of Import of plastic based mixed fabrics	16,404	511
Concession for Biscuit and <i>Chowmein</i> Industry Raw Materials	0	27,446
Exemption for Pepper Seeds for Self-Use Industry	0	5,411
Exemption for Ambulances and Mortuary Vans for Hospitals	0	1,676
VAT Rebate on Saline Industry	8,598	1,628
Concession on Import of Components for Electric Induction/Infrared Stove Production	375	0
Concession on Import of Materials for Manufacturing Medical Equipment	957	0
Concession on Import of Import of Materials for Pharmaceutical Industry	116	31
Concession for import of Cellular Mobile Phones by Returning Travelers	6,928	2,894
Reduction or full exemption on fees, charges, revenue, or tax under this Act for non-profit public/community organizations, GoN, provincial/local governments, or GoN-owned organizations by MoF	485,185	2,097,137
MoF can reduce or exempt import taxes for foreign loan/grant projects and their contractors/developers (per GoN/IB agreements).	3,163,947	1,663,411
Expenditure under loss code Diplomatic of the customs	333,480	454,358
Indian goods (value-based duty, excluding quantity-based) imported via LC get a Duty exemption	205,599	226,766
Expenditure under loss code Tariff of the customs	113,073	109,944
VAT Exempted Items	32,697,254	38,144,515
Other Expenditure classified as Loss Code by DoC	214,229	901,188
Total	41,386,571	48,247,367

Table 15 VAT Revenue Foregone under Finance Act 2080 (2023)

Particulars	(NPR in '000)	
	Tax Expenditure in 2024	
Tax rates can be reduced, increased, or waived	N/A	
VAT waiver for eye hospitals	185	
VAT waiver for (granulated wheat (<i>Sooji</i>) transactions	899	
VAT waiver for hire purchase transactions	N/A	
VAT waiver on grants received by NGOs	284,484	
VAT waiver to person carrying out construction business	201,596	
VAT waiver to person carrying out transport service	21,181	
VAT waiver to industry based on herbs	3,649	
VAT waiver to non-resident person providing digital service above NPR 2 million	N/A	
Total	511,995	

Note: 'N/A' refers to 'Not Available'.

Table 16 VAT Revenue Foregone under Finance Act 2079 (2022)

<i>(NPR in '000)</i>	
Particulars	Tax Expenditure in 2023
Tax rates can be reduced, increased, or waived.	N/A
Tax exemption on machinery and equipment for vaccine industries in 2023; exempt from Customs Duty, Excise Duty, and VAT.	N/A
Tax exemption on machinery and equipment for liquid oxygen industries in 2023; exempt from Customs Duty, Excise Duty, and VAT.	N/A
VAT waiver for joint ventures with outstanding liabilities as of Chaitra 2078 (mid-April 2022), if VAT and 50% of interest is settled within Poush 2079 (mid-January 2023), the penalties, additional fees, and remaining interest waived.	142,638
Special provision for taxpayers submitting income details based on estimated and business-related income.	53,591
Total	196,229

Note: 'N/A' refers to 'Not Available'

International Obligation

Schedule 2 of the Value Added Tax Act 2052 (1996) in Nepal designates certain goods and services as zero-rated, subjecting them to a Zero Percentage VAT rate. While businesses dealing with these items can claim input tax credits, they are not obligated to remit any output tax on the sale of these goods or services. The goods exported from Nepal, services provided to the person outside the country and items used in diplomatic missions are subject to zero rate. There are special considerations for industries in special economic zones, hydro power projects, and projects operating under bilateral or multilateral treaties. Additionally, zero rate extends to the export of handicrafts and specific provisions for scooters used by person with disabilities.

As per the "Tax Expenditure Reporting and Its Use in Fiscal Management A Guide for Developing Economies" published by International Monetary Fund March 2019, the VAT not collected on the export is not considered as the revenue foregone and same concept has been followed in this Study.

In Schedule 2 of the Value Added Tax Act 2052 (1996), the inclusion of VAT refunds is notable, and it is crucial to distinguish this mechanism from revenue foregone. VAT refunds are positioned as an adjustment of the balance, signifying a process wherein businesses are entitled to reclaim VAT payments made on inputs against their VAT liabilities. This adjustment is not equivalent to revenue foregone but rather a facilitation of fair taxation.

Moreover, the provision of zero-rated VAT on the import of goods and services under diplomatic facilities, endorsed by the Government of Nepal, Ministry of Foreign Affairs, is expressly exempt from being characterized as revenue foregone. This exemption aligns with international obligations, recognizing that foreign diplomats are not subject to the imposition of home country taxes. The distinction is essential, emphasizing that such zero-rated provisions do not represent a loss of revenue but rather adherence to diplomatic conventions that exempt foreign diplomats from domestic taxation.

The amount of VAT refund claim accepted for 2023 was NPR 174,535,548 in case of Diplomatic Refund, NPR 195,653,759 in case of other projects and NPR 1,474,302 in case of Agency. The amount of VAT refund claim accepted for 2024 was NPR 124,949,888 in case of Diplomatic Refund, NPR 339,721,737 in case of other project and NPR 1,604,848 in case of Agency. This amount has not been considered as revenue foregone. The refund amount is not considered tax foregone in case of diplomats considering international obligations. Similarly, the VAT refund to other taxpayers has also been excluded from Tax Expenditure being the amount as excess of input tax credit over the output tax collected.

Part B: REVENUE FOREGONE ON INCOME TAX

a. Corporate Income Tax (CIT) Foregone

The revenue foregone under Corporate Income Tax has been categorized into the following functional attributes:

Table 17 Revenue Foregone under Basic Necessity Support

Particulars	<i>(NPR in '000)</i>	
	Tax Expenditure 2024	Tax Expenditure 2023
Declared Agriculture Business within tax bracket	32,887	215,028
Cooperatives	179,043	178,106
Industries established for the production of agricultural tools by the end of Ashad, 2082 (mid-July 2025) (For the initial 5 years)	0	0
Agriculture Business	16,934	16,454
Cooperatives	2	8
Total	228,866	409,596

Table 18 Revenue Foregone under Capital Inward Incentive

Particulars	<i>(NPR in '000)</i>	
	Tax Expenditure 2024	Tax Expenditure 2023
Special and tourism industries (excluding casinos) with a capital exceeding NPR 1000 million and providing direct employment to more than 500 individuals annually (For the initial 5 years)	82	0
Special and tourism industries (excluding casinos) with a capital exceeding NPR 1000 million and providing direct employment to more than 500 individuals annually (For the 3 years following the initial 5 years)	194,003	50
Special and tourism industries (excluding casinos) that increase their installed capacity by 25%, with a capital exceeding NPR 2000 million and providing direct employment to more than 300 individuals annually (For the initial 5 years)	25	113,959
Special industries and tourism industries (excluding casinos) that increase their installed capacity by 25%, with a capital exceeding NPR 2000 million and providing direct employment to more than 300 individuals annually (For the 3 years following the initial 5 years)	0	23,132
Entities engaged in the construction and operation of roads, bridges, tunnels, railways, and airports (For the initial 10 years)	0	0
Entities operating tram or trolley bus services (For the initial 10 years)	0	0
Entities engaged in the construction and operation of ropeways, cable cars, and sky bridges (For the initial 10 years)	0	0
Private companies with paid-up capital exceeding NPR 500 Million operating as public companies (For the initial 3 years)	88	0
Exploration and extraction of minerals, petroleum, natural gas, and fuel (if commercial operations commence by Chaitra, 2080) (mid-April 2024) (For the initial 7 years)	7,051	5,589
Exploration and extraction of minerals, petroleum, natural gas, and fuel (if commercial operations commence by Chaitra, 2080) (mid-April 2024) (For the 3 years following the initial 7 years)	0	0

Tourism industries or international airlines established with an investment exceeding NPR 1000 million (For the initial 5 years)	0	0
Tourism industries or international airlines established with an investment exceeding NPR 1000 million (For the 3 years following the initial 5 years)	0	0
Tourism industries or international airlines established with an investment exceeding NPR 3000 million (For the initial 10 years)	0	0
Tourism industries or international airlines established with an investment exceeding NPR 3000 million (For the 5 years following the initial 10 years)	0	0
Tourism industries or international airlines established with an investment exceeding NPR 5000 million (For the initial 15 years)	0	0
Entities engaged in the construction, operation, and handover of public infrastructure to the GoN, and entities involved in the construction, production, and distribution of electric homes	13,186	48,544
Dividends received from the capitalization of retained earnings of special and tourism industries	86	82
Dividend (capitalization of accumulated profit) through bonus shares by special industry	0	0
Dividend (capitalization of accumulated profit) through bonus shares by tourism industry	0	0
Impact due to Accelerated Depreciation	N/A	N/A
Total	214,521	191,356

Note: 'N/A' refers to 'Not Available'

Table 19 Revenue Foregone under Charity Rewards

Particulars	<i>(NPR in '000)</i>	
	Tax Expenditure 2024	Tax Expenditure 2023
Income of exempt organization, donation and gifts, contribution	441,058	587,227
Amount derived by way of Gift, Bequest, Inheritance, Scholarships	N/A	N/A
Total	441,058	587,227

Note: 'N/A' refers to 'Not Available'

Table 20 Revenue Foregone under Cultural Incentive

Particulars	<i>(NPR in '000)</i>	
	Tax Expenditure 2024	Tax Expenditure 2023
Windfall gain on an award up to NPR 500,000 received for contributing in the sector of literature, art, culture, sports, journalism, science, technology and public administration	89	32,999
Total	89	32,999

Table 21 Revenue Foregone under Employment Generating Activities

Particulars	<i>(NPR in '000)</i>	
	Tax Expenditure 2024	Tax Expenditure 2023
Business of dehydrating vegetables and cold storage	11,492	7,150
Special industries and information technology industries providing direct employment to 100 or more Nepali citizens throughout the year	392,669	321,048

Special industries and information technology industries providing direct employment to 300 or more Nepali citizens throughout the year	285,422	377,265
Special industries and information technology industries providing direct employment to 500 or more Nepali citizens throughout the year	557,696	351,803
Special industries and information technology industries providing direct employment to 1,000 or more Nepali citizens throughout the year	125,425	100,058
Industries engaged in the domestic production and processing of tea, dairy products, and textile production	102,515	64,595
Income derived from the sale of raw materials or auxiliary raw materials produced domestically to special industries	18,736	922
Small enterprise businesses or operations (For the initial 7 years)	629	770
Total	1,494,584	1,223,611

Table 22 Revenue Foregone under Environment Concession

Particulars	<i>(NPR in '000)</i>	
	Tax Expenditure 2024	Tax Expenditure 2023
Industries established for production and assembly of electric vehicles by end of Ashad, 2082 (mid-July 2025) (For initial 5 years)	205	0
Total	205	0

Table 23 Revenue Foregone under Export Incentive

Particulars	<i>(NPR in '000)</i>	
	Tax Expenditure 2024	Tax Expenditure 2023
Royalty income from the export of intellectual property	0	0
Income earned from exporting goods produced in Nepal (Additional 50% discount)	294,954	668,747
Income from exports (entities)	212,221	71,879
Income from the sale of intellectual property through export transfers	4,253	10,095
Total	511,428	750,721

Table 24 Revenue Foregone under GEDSI Incentive

Particulars	<i>(NPR in '000)</i>	
	Tax Expenditure 2024	Tax Expenditure 2023
Small enterprise businesses or operations operated by women entrepreneurs (For the initial 10 years)	399	284
Total	399	284

Table 25 Revenue Foregone under General Government

Particulars	<i>(NPR in '000)</i>	
	Tax Expenditure 2024	Tax Expenditure 2023
Any type of income earned by GoN, Provincial Governments and Local Governments	N/C	N/C
Total	N/C	N/C

Note: 'N/C' refers to 'Not Considered'

Table 26 Revenue Foregone for Geographical Equity

Particulars	(NPR in '000)	
	Tax Expenditure 2024	Tax Expenditure 2023
Special industries in very underdeveloped area, for a period of 10 years from the date of commencement of commercial production or business	384	4,933
Special industries in undeveloped area, for a period of 10 years from the date of commencement of commercial production or business	2,616	2,741
Special industries in underdeveloped area, for a period of 10 years from the date of commencement of commercial production or business	199,902	180,807
Special industries established in the hilly districts of <i>Karnali</i> Province and <i>Sudurpaschim</i> Province, providing direct employment to more than 100 Nepali citizens, for a period of 15 years from the date of commencement of business	133	463
Special industries operating within industrial zones or industrial villages (For the initial 3 years)	1,237	4,083
Special industries operating within industrial zones or industrial villages (For the 5 years following the initial 3 years)	34,693	1,224
Brandy and wine industries based on fruits and flowers operating in highly underdeveloped regions (For the initial 10 years)	0	0
Brandy and wine industries based on fruits and flowers operating in underdeveloped regions (For the initial 10 years)	0	0
Dividends distributed by industries established in special economic zones (For the initial 5 years)	0	1,143
Dividends distributed by industries established in special economic zones (For the 3 years following the initial 5 years)	0	0
Foreign technology or management service fees and royalties from industries established in special economic zones	0	0
Industries established in special economic zones located in Himalayan districts and designated hilly districts (For the initial 10 years)	8,815	8,931
Industries established in special economic zones located in Himalayan districts and designated hilly districts (For the period following the initial 10 years)	0	0
Industries established in special economic zones located outside Himalayan districts and designated hilly districts (For the initial 5 years)	1,263	0
Industries established in special economic zones located outside Himalayan districts and designated hilly districts (For the period following the initial 5 years)	153	0
Special industries relocating from the Kathmandu Valley to outside the Valley and commencing operations (For the initial 3 years)	2,337	0
Special industries relocating from the Kathmandu Valley to outside the Valley and commencing operations (For the 2 years following the initial 3 years)	0	0
Total	251,533	204,325

Table 27 Revenue Foregone for Green Energy Incentive

Particulars	(NPR in '000)	
	Tax Expenditure 2024	Tax Expenditure 2023
For the first 10 years from the date of commencement of commercial operations by persons authorized to produce, transmit, or distribute electricity generated from hydroelectricity, solar, wind, and bio-product (within Chaitra, 2083) (mid-April 2027)	796,778	549,799

For the 5 years following the first 10 years from the date of commencement of commercial operations by persons authorized to produce, transmit, or distribute electricity generated from hydroelectricity, solar, wind, and bio-product (within Chaitra, 2083) (mid-April 2027)	33,644	32,448
For the first 15 years from the date of financial closure (by Chaitra, 2085) (mid-April 2029) for reservoir or semi-reservoir hydropower projects with a capacity exceeding 40 MW and lower belt hydropower projects operating in tandem with such projects	1,700	0
For the period following the first 15 years from the date of financial closure (by Chaitra, 2085) (mid-April 2029) for reservoir or semi-reservoir hydropower projects with a capacity exceeding 40 MW and lower belt hydropower projects operating in tandem with such projects	0	0
Total	832,122	582,247

Table 28 Revenue Foregone under International Obligation

Particulars	<i>(NPR in '000)</i>	
	Tax Expenditure 2024	Tax Expenditure 2023
Tax exemptions under Tax Treaties	1,627,642	317,081
Credit under Foreign Tax Credit	37,634	251,356
Total	1,665,276	568,437

Table 29 Revenue Foregone under Public Health Incentive

Particulars	<i>(NPR in '000)</i>	
	Tax Expenditure 2024	Tax Expenditure 2023
Health institutions operated by community organizations	1,654	2,188
Industries producing health vaccines, oxygen gas, and sanitary pads (For the initial 5 years)	0	0
Industries producing health vaccines, oxygen gas, and sanitary pads (For the 2 years following the initial 5 years)	0	0
Industries producing new products using only environmentally impactful materials as raw materials (For the initial 3 years)	0	4
Industries producing new products using only environmentally impactful materials as raw materials (For the 2 years following the initial 3 years)	0	0
Entities incurring Pollution Control Expenses	112,947	172,645
Credit under Medical Tax Credit	17	9
Total	114,618	174,846

Table 30 Revenue Foregone under Public Institution

Particulars	<i>(NPR in '000)</i>	
	Tax Expenditure 2024	Tax Expenditure 2023
All incomes earned by Nepal Rastra Bank under its objectives	N/C	N/C
Amount earned as per its objectives by Drinking Water and Sanitation Consumer Organization registered under Water Resource Act 2049 (1992)	N/A	N/A
Income earned as per its objectives by educational institutes established with the objective of not earning / distributing profit as per agreement between it and GON or concerned GON entity	N/C	N/C
Total	-	-

Note: 'N/C' refers to 'Not Considered' and 'N/A' refers to 'Not Available'

Table 31 Revenue Foregone under Saving and Investment Incentive

Particulars	<i>(NPR in '000)</i>	
	Tax Expenditure 2024	Tax Expenditure 2023
Entities registered in the securities market	358,217	238,295
Payment of interest up to NPR 25,000 p.a. earned from a deposit into rural municipality based on micro finance institution, rural development bank, and postal saving bank and cooperatives	22	1,020
Dividend distributed by entity disposed upon merger to the shareholder existing at the time of the merger	1,866	4,456
Capital gain on disposal of shares within next 2 years by the shareholders existing at the time of the merger	757	2,956
Income from the Approved Retirement Fund	2,345,742	1,449,464
Amount contributed to Employment Provident Fund by employee	1,717	1,993
Amount contributed to Citizen Investment Trust by employee	1,946	1,946
Amount contributed to Approved Retirement Fund by employee	358	358
Amount contributed to Pension Fund by employee	65	65
Amount contributed to Social Security Fund by employee	802	802
Income earned by mutual fund approved from SEBON as per its objective	2,363,972	515,450
Total	5,075,464	2,216,805

Table 32 Revenue Foregone under Technology Incentive

Particulars	<i>(NPR in '000)</i>	
	Tax Expenditure 2024	Tax Expenditure 2023
Industry relating to software development, data processing, cyber cafe, digital mapping established in technology park and information technology park and operation of Zoological, Geological, Bio tech Park as specified by the GoN by publishing notice in Nepal Gazette	692	102
Startup businesses designated by the department, utilizing innovative knowledge, ideas, skills, technology, practices, and methods, with annual transactions up to NPR 10 million (For the initial 5 years)	0	14
Entities incurring R&D Expenses	122,808	146,645
Total	123,500	146,761

Table 33 Revenue Foregone – Declared as ‘Others’

Particulars	<i>(NPR in '000)</i>	
	Tax Expenditure 2024	Tax Expenditure 2023
Income under the heading ‘Other’ in the Annexure 9 of the Income Tax Return	29,521	7,044
Total	29,521	7,044

b. Personal Income Tax (PIT) Foregone

The revenue foregone under Personal Income Tax has been categorized into the following functional attributes:

Table 34 Revenue Foregone under Basic Necessity Support

Particulars	<i>(NPR in '000)</i>	
	Tax Expenditure 2024	Tax Expenditure 2023
Declared Agriculture Business within tax bracket	19,167	39,606
Industries established for the production of agricultural tools by the end of Ashad, 2082 (Mid- July 2025) (For the initial 5 years)	0	0
Agriculture Business	3,728	1,448
Traditional Agro-forestry activities	17,112,073	15,948,084
Total	17,134,968	15,989,138

Table 35 Revenue Foregone under Capital Inward Incentive

Particulars	<i>(NPR in '000)</i>	
	Tax Expenditure 2024	Tax Expenditure 2023
Special and tourism industries (excluding casinos) with a capital exceeding NPR 1000 million and providing direct employment to more than 500 individuals annually (For the initial 5 years)	0	0
Special and tourism industries (excluding casinos) with a capital exceeding NPR 1000 million and providing direct employment to more than 500 individuals annually (For the 3 years following the initial 5 years)	0	0
Special and tourism industries (excluding casinos) that increase their installed capacity by 25%, with a capital exceeding NPR 2000 million and providing direct employment to more than 300 individuals annually (For the initial 5 years)	0	0
Special industries and tourism industries (excluding casinos) that increase their installed capacity by 25%, with a capital exceeding NPR 2000 million and providing direct employment to more than 300 individuals annually (For the 3 years following the initial 5 years)	0	0
Tourism industries established with an investment exceeding NPR 1000 million (For the initial 5 years)	0	0
Tourism industries established with an investment exceeding NPR 1000 million (For the 3 years following the initial 5 years)	0	0
Tourism industries established with an investment exceeding NPR 3000 million (For the initial 10 years)	0	0
Tourism industries established with an investment exceeding NPR 3000 million (For the 5 years following the initial 10 years)	0	0
Tourism industries established with an investment exceeding NPR 5000 million (For the initial 15 years)	0	0
Dividends received from the capitalization of retained earnings of special and tourism industries	0	0
Dividend (capitalization of accumulated profit) through bonus shares by special industry	2,709	53,997
Dividend (capitalization of accumulated profit) through bonus shares by tourism industry	0	0
Traditional Agro-forestry activities	4,957,892	6,522,826
Total	4,960,601	6,576,823

Table 36 Revenue Foregone under Charity Rewards

Particulars	<i>(NPR in '000)</i>	
	Tax Expenditure 2024	Tax Expenditure 2023
Individuals/Proprietorship receiving donation, seed capital	0	0
Amount derived by way of Gift, Bequest, Inheritance, Scholarships	N/A	N/A
Total	-	-

Note: 'N/A' refers to 'Not Available'.

Table 37 Revenue Foregone under Cultural Incentive

<i>(NPR in '000)</i>		
Particulars	Tax Expenditure 2024	Tax Expenditure 2023
Windfall gain on an award up to NPR 500,000 received for contributing in the sector of literature, art, culture, sports, journalism, science, technology and public administration	0	0
Total	0	0

Table 38 Revenue Foregone under Employment Generating Activities

<i>(NPR in '000)</i>		
Particulars	Tax Expenditure 2024	Tax Expenditure 2023
Business of dehydrating vegetables and cold storage	0	727
Special industries and information technology industries providing direct employment to 100 or more Nepali citizens throughout year	0	0
Special industries and information technology industries providing direct employment to 300 or more Nepali citizens throughout year	0	0
Special industries and information technology industries providing direct employment to 500 or more Nepali citizens throughout year	0	0
Special industries and information technology industries providing direct employment to 1,000 or more Nepali citizens throughout year	0	0
Industries engaged in the domestic production and processing of tea, dairy products, and textile production	6,203	5,998
Income derived from the sale of raw materials or auxiliary raw materials produced domestically to special industries	73	0
Small enterprise businesses or operations (For the initial 7 years)	486	54
Traditional Agro-forestry activities	14,474,444	14,300,089
Total	14,481,206	14,306,868

Table 39 Revenue Foregone under Environment Concession

<i>(NPR in '000)</i>		
Particulars	Tax Expenditure 2024	Tax Expenditure 2023
Industries established for the production and assembly of electric vehicles by the end of Ashad, 2082 (Mid-July 2025) (For the initial 5 years)	0	0
Total	0	0

Table 40 Revenue Foregone under Export Incentive

<i>(NPR in '000)</i>		
Particulars	Tax Expenditure 2024	Tax Expenditure 2023
Royalty income from the export of intellectual property	0	0
Income earned from exporting goods produced in Nepal (Additional 50% discount) (Individual)	0	0
Income earned from exporting goods produced in Nepal (Additional 50% discount) (Individual)	0*	81,537
Export income – individuals	0*	0*
Income from exports (Individual)	0	0
Income from the sale of intellectual property through export transfers	71	133
Total	71	81,670

*Note: In case of negative tax expenditure, the value is taken as Nil.

Table 41 Revenue Foregone under GEDSI Incentive

Particulars	(NPR in '000)	
	Tax Expenditure 2024	Tax Expenditure 2023
Small enterprise businesses or operations operated by women entrepreneurs (For the initial 10 years)	1,275	1,324
Handicapped Allowance	513	488
Credit under Women Tax Credit	5140	3,582
Total	6,928	5,394

Table 42 Revenue Foregone under Geographical Equity

Particulars	(NPR in '000)	
	Tax Expenditure 2024	Tax Expenditure 2023
Special industries in very under developed area, for a period of 10 years from the date of commencement of commercial production or business	330	267
Special industries in undeveloped area, for a period of 10 years from the date of commencement of commercial production or business	169	90
Special industries in underdeveloped area, for a period of 10 years from the date of commencement of commercial production or business	1,877	1,960
Special industries established in the hilly districts of <i>Karnali</i> Province and <i>Sudurpaschim</i> Province, providing direct employment to more than 100 Nepali citizens, for a period of 15 years from the date of commencement of business	0	0
Special industries operating within industrial zones or industrial villages (For the initial 3 years)	0	0
Special industries operating within industrial zones or industrial villages (For the 5 years following the initial 3 years)	0	0
Brandy and wine industries based on fruits and flowers operating in highly underdeveloped regions (For the initial 10 years)	0	0
Brandy and wine industries based on fruits and flowers operating in underdeveloped regions (For the initial 10 years)	0	0
Dividends distributed by industries established in special economic zones (For the initial 5 years)	0	0
Dividends distributed by industries established in special economic zones (For the 3 years following the initial 5 years)	0	0
Foreign technology or management service fees and royalties from industries established in special economic zones	0	0
Industries established in special economic zones located in Himalayan districts and designated hilly districts (For initial 10 years)	0	0
Industries established in special economic zones located in Himalayan districts and designated hilly districts (For the period following the initial 10 years)	0	0
Industries established in special economic zones located outside Himalayan districts and designated hilly districts (For initial 5 years)	0	0
Industries established in special economic zones located outside Himalayan districts and designated hilly districts (For the period following the initial 5 years)	0	0
Special industries relocating from the Kathmandu Valley to outside the Valley and commencing operations (For the initial 3 years)	0	0
Special industries relocating from the Kathmandu Valley to outside the Valley and commencing operations (For the 2 years following initial 3 years)	0	0
Remote Area Allowance	365	317
Foreign Area Allowance	291	3
Total	3,032	2,637

Table 43 Revenue Foregone under International Obligation

(NPR in '000)

Particulars	Tax Expenditure 2024	Tax Expenditure 2023
Tax exemptions under Tax Treaties	0	0
Credit under Foreign Tax Credit	6,253	5,421
Amount derived by a person entitled to privileges under a bilateral or a multilateral treaty or agreement concluded between GoN and foreign country or International Organization	N/C	N/C
Amount derived by individual from employment in public service of foreign country	N/C	N/C
Amount derived by individual from public fund of foreign country who is not a citizen of Nepal or by a member of his/her immediate family members	N/C	N/C
Amount derived by non-Nepali citizen appointed by the GoN in terms of tax exemption.	N/C	N/C
Amount derived by Nepali citizen retired from Army or police service of foreign country, provided that the amount shall be payable from public fund of that foreign country.	N/C	N/C
Total	6,253	5,421

Note: 'N/C' refers to 'Not Considered'.

Table 44 Revenue Foregone under Pre-Taxation Benefit

(NPR in '000)

Particulars	Tax Expenditure 2024	Tax Expenditure 2023
Pension Exemption continued since 2058 (2002)	8,817	7,765
Total	8,817	7,765

Table 45 Revenue Foregone under Public Health Incentive

(NPR in '000)

Particulars	Tax Expenditure 2024	Tax Expenditure 2023
Industries producing health vaccines, oxygen gas, and sanitary pads (For the initial 5 years)	201	152
Industries producing health vaccines, oxygen gas, and sanitary pads (For the 2 years following the initial 5 years)	0	162
Industries producing new products using only environmentally impactful materials as raw materials (For the initial 3 years)	0	0
Industries producing new products using only environmentally impactful materials as raw materials (For the 2 years following the initial 3 years)	0	0
Credit under Medical Tax Credit	21	34
Traditional Agro-forestry activities	8,083,943	8,131,027
Total	8,084,165	8,131,375

Table 46 Revenue Foregone under Saving and Investment Incentive

(NPR in '000)

Particulars	Tax Expenditure 2024	Tax Expenditure 2023
Investment Insurance Premium	11,309	10,809
Health Insurance Premium	586	603
Private Building Insurance Premium	77	59

Payment of interest up to NPR 25,000 p.a. earned from a deposit into rural municipality based on micro finance institution, rural development bank, and postal saving bank and cooperatives	0	1
Dividend distributed by entity disposed upon merger to the shareholder existing at the time of the merger	13,127	13,706
Capital gain on disposal of shares within next 2 years by the shareholders existing at the time of the merger	26,110	43,860
Amount contributed to Employees Provident Fund	1,722	1,778
Amount contributed to Citizen Investment Trust	1,644	1,602
Amount contributed to Approved Retirement Fund	806	870
Amount contributed to Pension Fund	12	8
Amount contributed to Social Security Fund	3,826	3,948
Total	59,219	77,245

Table 47 Revenue Foregone under Social Security Support

Particulars	<i>(NPR in '000)</i>	
	Tax Expenditure 2024	Tax Expenditure 2023
Any social security allowance paid by GoN, province Government or local level	1,222,633	1,083,702
Total	1,222,633	1,083,702

Table 48 Revenue Foregone under Technology Incentive

Particulars	<i>(NPR in '000)</i>	
	Tax Expenditure 2024	Tax Expenditure 2023
Industry relating to software development, data processing, cyber cafe, digital mapping established in technology park and information technology park and operation of Zoological, Geological, Bio tech Park as specified by the GoN by publishing notice in Nepal Gazette (For the initial 5 years) Startup businesses designated by the department, utilizing innovative knowledge, ideas, skills, technology, practices, and methods, with annual transactions up to NPR 10 million	0	69
	0	0
Total	0	69

Table 49 Revenue Foregone – Declared as ‘Others’

Particulars	<i>(NPR in '000)</i>	
	Tax Expenditure 2024	Tax Expenditure 2023
Individual with income other than the income heads in the Annexure 9 of the Income Tax Return	4,239	8,157
Total	4,239	8,157

C. Personal Income Tax (PIT) and Corporate Income Tax (CIT) Foregone

Table 50 Revenue Foregone under Finance Act 2080 (2023)

		<i>(NPR in '000)</i>
Particulars	Tax Expenditure in 2024	
25% Tax concession for media houses under Income Tax Act 2058 (2002) for 2023		8,437
Tax rates can be reduced, increased, or waived		N/A
Waiver for individuals in foreign employment or educational consultancy services		N/A
Waiver of outstanding taxes for fiscal years 2063/64 (2006/07) assessed upto Ashad 2065 (mid-July 2008)		N/A
Waiver of fees and interest for entities not including the income on bonus shares issuance out of share premium from FPO		N/A
Tax waiver on mergers/acquisitions if tax on bargain purchase gains for 2078/79 (2022/23) is deposited within Mangsir 2080 (Mid-Dec 2023)		N/A
50% rebate for transactions in securities, land and building		N/A
No Digital Service Tax on electronic services with an annual turnover of up to NPR 2 million		N/A
Total		8,437

Note: 'N/A' refers to 'Not Available'.

Table 51 Revenue Foregone under Finance Act 2079 (2022)

		<i>(NPR in '000)</i>
Particulars	Tax Expenditure in 2023	
Tax rates can be reduced, increased, or waived		N/A
Tax exemption on machinery and equipment for vaccine industries in 2023; exempt from Customs Duty, Excise Duty, and VAT		N/A
Tax exemption on machinery and equipment for liquid oxygen industries in 2023; exempt from Customs Duty, Excise Duty, and VAT		N/A
Special provision for taxpayers submitting income details based on estimated and business-related income		16,902
Exemption of tax, fees, and interest for late filers.		49,190
No Digital Service Tax on electronic services with an annual turnover of up to NPR 2 million		N/A
IT-based businesses earning foreign currency in 2023 to be taxed at 1%		N/A
Total		66,092

Note: 'N/A' refers to 'Not Available'.

Table 52 Donations under Income Tax Act 2058 (2002)

		<i>(NPR in '000)</i>	
Particulars	Tax Expenditure 2024	Tax Expenditure 2023	
Donations to tax exempted organizations			
Contributions to Heritage Protection and Sports Development		N/S	N/S
Contribution to Prime Minister Relief Fund and Reconstruction Fund			
Seed Capital to start-up business			
Total	3,350	155,721	

Note: 'N/S' refers to 'Not Segregated'.

Part C: REVENUE FOREGONE ON EXCISE DUTY

Table 53 Excise Duty Revenue Foregone under Domestic Production

Particulars	<i>(NPR in '000)</i>	
	Tax Expenditure in 2024	Tax Expenditure in 2023
Excise Duty Foregone under Domestic Production under Schedule Notes	34,480,940	31,824,680
Total	34,480,940	31,824,680

Table 54 Revenue Foregone under Excise Duty Act 2058 (2002)

Particulars	<i>(NPR in '000)</i>	
	Tax Expenditure in 2024	Tax Expenditure in 2023
Exemption of Excise Duty:		
No Excise Duty shall be charged on such goods or services that are exported outside Nepal or supplied to Duty Free Shop (Bonded Warehouse and Duty-free Shop) except alcohol or cigarette.	N/A	N/A
No Excise Duty shall be charged on cigarette or alcohol to be sold by Licensed Bonded Warehouse to person or entity having diplomatic and duty exemption facilities as recommended by the GoN, Ministry of Foreign Affairs.	N/A	N/A
If goods made in Nepal and exported are re-imported due to non-acceptance, they can be re-exported within 3 months. The Excise Officer will clear them against an Excise Duty deposit, which will be refunded after re-export.	N/A	N/A
The amount of Excise Duty claimed for refund shall be refunded within 60 days of the date of the claim for refund, if the excise officer, upon investigation and examination, finds such claim to be reasonable.	N/A	N/A
Exemption of Excise Duty:		
Excise Duty shall be exempt on import of goods by the person or entity having diplomatic facilities on recommendation of Ministry of Foreign Affairs.	N/A	N/A
Exemption on the transfer of motor vehicles (under 10 years old) imported under diplomatic facility or under full or partial duty exemption (excluding cash deposit/bank guarantee) to approved projects with a government number plate, or after completion of project to local bodies, community schools, hospitals, or government entities after project completion with approval of Ministry of Finance.	N/A	N/A
In case any diplomatic mission, project, person and other entities (governmental or non- governmental organization) intends to scrap and cancel the registration of any motor vehicle that was imported under duty facility and is more than 15 years old, with the approval of Ministry of Finance, Excise Duty shall not be levied on such motor vehicle.	N/A	N/A
Exemption on transfer of motor vehicle imported under partial Customs Duty exemption facility for personal use after the death of owner of the motor vehicle, in the name of spouse of the deceased.	N/A	N/A
Nepal Army, Armed Police Force and Nepal Police who are going to establish peace, carrying Armed Personnel Carrier, vehicle, weapons and other items on record, return back to Nepal, Excise Duty shall be exempted on those items on request of the United Nations.	N/A	N/A
Excise Duty shall be exempt to the industry producing goods by using 90% or more local scrap (worn or torn) on such production.	N/A	N/A
Total	N/A	N/A

Note: 'N/A' refers to data 'Not Available' in the domestic supply

Table 55 Excise Duty Revenue Foregone at Customs Point**(NPR in '000)**

Particulars	Tax Expenditure in 2024	Tax Expenditure in 2023
Duty exemption for goods imported by retired army personnel	881	579
Exemption for diplomatic imports sold or gifted after five years, allowed once during the official's tenure in Nepal	18,475	37,891
Partial exemption of Duty	3,205,150	1,382,017
Provision related to goods with certain subheading produced and imported from India	402	71
Provision related to imports for aviation services, with Duty refund under specific conditions	358	484
Provision related to imports for tire manufacturing industries	0	9
Provision related to imports of machinery for agriculture and animal industries, with Duty scheme for CKD/SKD imports	0	176,554
Provision related to imports for agriculture, horticulture, and floriculture farms	67	0
Concession for Duty on raw materials for the production of polykotting paper and printed lamination film	26,883	28,812
Concession for Duty on filler master batch	9,776	10,180
Concession for Duty for cooperatives or companies registered to operate public transport with buses of 40 or more seats, allowing a 5% duty on buses and chassis imported for this purpose, with restrictions on resale or transfer within 10 years	3,425	2,501
Concession for disposable product industries: Exemption on imports of materials like glue, absorbent polymer, PE/PPE films, tissue paper, release paper, and non-woven fabric for production	14,509	6,613
Concession for agricultural use: Exemption on imports of insect traps, rodent glue, and related materials	4	0
Concession for tea industry for importing various equipment, materials, and packaging components required for production and packaging, with Duty reduction	956	1,102
Concession for Duty on acrylic emulsion used by the paint industry	17,491	22,912
Concession for incense stick manufacturing industry for importing DEP and incense compound	32	0
Exemption for construction materials, medical equipment, and instruments imported for the operation of national medical institutions	2,306	845
Concession for the import of ambulances and hearses based on the number of beds in private or community hospitals, municipalities, and local governments, with specific value limits and conditions for previous use	399,645	771,460
Concession for importing raw materials and packaging for feed and poultry industries based on consumption, sales, and export	170	83
Concession for items necessary for biogas production, including gas valves, fittings, pipes, gas gauges, gas lamps, and parts related to <i>Gobar</i> gas	22	43
Concession for machinery and materials for agricultural and livestock industries	0	6
Exemption for vehicles imported by foreign missions and donor organizations with diplomatic or customs privileges	32,950	44,133
Exemption for raw materials, auxiliary materials, and chemicals used in pharmaceutical production	9,624	7,722
Exemption on Duty for machinery, equipment, and parts required for the production, transmission, distribution, operation, or maintenance of hydropower projects	3,942	2,116
Exemption on Duty for deep cycle lead-acid batteries and lithium-ion batteries used in tempos	100	137

Concession for first-time importation of materials for hotel construction	3,627	4,471
Concession for mountaineering expeditions importing goods for climbing Nepal's mountains	5	0
Concession for buses used by educational institutions	10,101	11,732
Concession for cold storage construction	6	164
Exemption on Scooters for Persons with Disabilities	12,425	13,535
Exemption for Nepalese Army based on Ministry of Defense's Recommendation	1,059	60
Exemption for Nepal Police based on Ministry of Home Affairs' Recommendation	3	0
Exemption for Armed Police Force based on Ministry of Home Affairs' Recommendation	472	0
Concession for Various Electronic and Luxury Goods	289	644
Exemption on Import of Agricultural Ambulance or Transport Vehicle by Local Authorities	140	0
Concession on Special Utensils for Poultry Feeding and Seed Trays	94	209
Exemption on Machinery and Equipment for Liquid Oxygen Industry Establishment	0	75
Concession on Import of Non-Woven Fabric for Bag Production Industry	275	0
Concession on Import of Import of plastic based mixed fabrics	6,009	187
Exemption for Pepper Seeds for Self-Use Industry	0	5,429
Exemption for Ambulances and Mortuary Vans for Hospitals	0	6,604
Concession on Import of Components for Electric Induction/Infrared Stove Production	137	0
Concession on Import of Materials for Manufacturing Medical Equipment	47	0
Reduction or full exemption on fees, charges, revenue, or tax under this Act for non-profit public/community organizations, GoN, provincial/local governments, or GoN-owned organizations by Ministry of Finance	252,800	316,304
MoF can reduce or exempt import taxes for foreign loan/grant projects and their contractors/developers (per GoN/IB agreements)	228,001	199,681
Expenditure under loss code Diplomatic of the customs	424,946	921,390
Indian goods (value-based duty, excluding quantity-based) imported via LC get Duty exemption.	573,791	1,862,121
Expenditure under loss code Tariff of the customs	72,149	107,024
Chinese goods via Tibet land routes with value-based duty get Duty exemption	15,469	2,829
Other Expenditure classified as Loss Code by DoC	3,763	1,070
Total	5,352,776	5,949,799

Table 56 Excise Duty Revenue Foregone under Finance Act

Description	<i>(NPR in '000)</i>	
	Tax Expenditure in 2024	Tax Expenditure in 2023
Excise Duty exemption for licensee with outstanding dues if due amount and 50% of delay fees is settled by Poush 2079 (mid-January 2023); remaining delay fees and penalties waived.	0*	20,576
Waiver of Excise Duty to milk-based drinks industry	N/A	0*
Total	-	20,576

*Note 1: The duty exemption facility for licensee was provided for 2023 only, and waiver of Excise Duty to Milk-based drinks industries was provided for 2024 only.

Note 2: 'N/A' refers to 'Not Available'.

Part D: REVENUE FOREGONE ON CUSTOMS DUTY

Table 57 Import Duty Revenue Foregone at Customs Point

Description	<i>(NPR in '000)</i>	
	Tax Expenditure in 2024	Tax Expenditure in 2023
Duty exemption for goods imported by retired army personnel	4,090	3,539
Exemption for diplomatic imports sold or gifted after five years, allowed once during the official's tenure in Nepal	21,501	43,941
Partial exemption of Duty	59,242	5,844
Concession for Jute industry	186,704	233,905
Exemption for postage stamps, aerogrammes, passports, revenue stamps, and postcards imported by GoN	395,609	303,151
Provision related to goods with certain subheading produced and imported from India	152,926	95,638
Provision related to imports by VAT-registered yarn industries.	469,452	531,927
Provision related to imports for industries producing electric or battery-powered vehicles	0	856
Provision related to imports for blood transfusion services by Nepal Red Cross Society	2,559	2,477
Provision related to imports for visually impaired individuals	171	200
Provision related to imports for Nepal Rastra Bank	47,227	25,125
Provision related to imports for aviation services, with Duty refund under specific conditions	1,681,940	806,367
Provision related to imports for feed and livestock industries	136,244	42,635
Provision related to machinery and equipment imports by industries	6,181	4,622
Provision related to imports for tire manufacturing industries	4,896	6,131
Exemption for vacuum ironing tables and steam irons used by garment export industries	2	0
Provision related to imports of machinery for agriculture and animal industries, with Duty scheme for CKD/SKD imports	1,230	6,413
Provision related to imports for registered fish farms	0	425
Provision related to imports for agriculture, horticulture, and floriculture farms	1,472	19,590
Concession for imports by carpet industries	11,484	12,372
Concession on Duty for specific medicines	3,118,878	2,947,295
Duty on machinery imports under CKD or SKD conditions	706,188	753,583
Concession for Duty on raw materials for textile and carpet industries	65,875	72,738
Concession for Duty on raw materials for the production of polykotting paper and printed lamination film	538,274	576,162
Concession for Duty on clothing and cotton towels	381,001	299,199
Concession for Duty on machinery for the cable car industry	19,917	4,537
Concession for Duty on filler master batch	195,516	203,608
Concession for Duty on soya bean seeds for oil and cake production industry	269,195	672,547
Concession for Duty on soya bean cake for animal and poultry industry	14,262	4,628
Concession for Duty for cooperatives or companies registered to operate public transport with buses of 40 or more seats, allowing a 5% duty on buses and chassis imported for this purpose, with restrictions on resale or transfer within 10 years	13,172	9,620
Concession for Industries making materials for prefabricated buildings get reduced duties on steel coils	13,895	23,923
Concession for disposable product industries: Exemption on imports of materials like glue, absorbent polymer, PE/PPE films, tissue paper, release paper, and non-woven fabric for production	203,541	145,702
Concession for agricultural use: Exemption on imports of insect traps, rodent glue, and related materials	1,364	1,286

Concession for Duty on iron oxide, and titanium dioxide used by the paint industry	3,606	3,185
Concession for Duty for pharmaceutical industries on the import of beam balances	32	136
Exemption for Duty for machinery and equipment for industries producing biological pesticides for crops	27	13
Concession for importing raw materials such as normal butyl alcohol, ethyl acetate, vinyl acetate monomer, and polyvinyl alcohol for adhesive manufacturing industries	6,071	9,520
Concession for importing brass rods for gas cylinder valve manufacturing industries for production purposes	4,625	3,212
Concession for importing petroleum bulk bitumen for industrial production purposes with a 50% reduction in customs duties	19,544	23,517
Concession for importing base oil for grease and lubricating oil production	200,696	116,243
Concession for importing parts and accessories for electric motorcycles, scooters, and rickshaws with a 75% Duty reduction	3,056	4,442
Concession for tea industry for importing various equipment, materials, and packaging components required for production and packaging, with Duty reduction	35,228	37,473
Concession for sunflower oil production industry for importing sunflower seeds, and for edible oil production industry for importing mustard, rapeseed, and sesame seeds with 50% Duty exemption	483,755	915,229
Concession for textile and garment industry for importing machinery, equipment, spare parts, chemicals, dyes, and polymers under specified headings for production purposes	40,911	108,595
Concession for yarn industry for importing cotton under specific headings with Duty reduction	6,316	7,719
Concession for poultry farming industry for importing fertilized eggs for hatching with 50% Duty exemption	1,912	539
Concession for Duty on acrylic emulsion used by the paint industry	249,867	327,280
Concession for incense stick manufacturing industry for importing DEP and incense compound	16,812	13,961
Exemption for books and magazines published by foreign publishers under specific titles	87,263	85,063
Concession for jute industry for importing jute bleaching oil	8,124	8,662
Exemption for construction materials, medical equipment, and instruments imported for the operation of national medical institutions	14,525	25,101
Exemption for the import of cancer preventive drugs by government or community hospitals for free distribution to cancer patients	6,564	6,500
Concession for the import of spare parts for the jute industry based on the recommendation of the Department of Industry	8,482	8,541
Concession for the import of ambulances and hearses based on the number of beds in private or community hospitals, municipalities, and local governments, with specific value limits and conditions for previous use	194,577	326,735
Concession for the import of industrial machinery and spare parts for the revival of sick industries as declared by the government, based on the promotion and improvement measures outlined in the Nepal Gazette	0	66
Concession for importing raw materials and packaging for feed and poultry industries based on consumption, sales, and export	162,313	190,524
Concession for importing advanced breed semen and embryos for livestock improvement	2,243	325
Concession for solar charge controller used for solar power generation	7,030	11,824
Concession for equipment used in solar power generation including antimonial lead alloy ingot, lead, battery box, separator, and tubular bag	3,003	6,255

Concession for DC pump used for water lifting powered by battery for solar power generation	3,616	6,192
Concession for solar inverter with more than 80% capacity used for solar power generation	18,705	12,275
Concession for items necessary for biogas production, including gas valves, fittings, pipes, gas gauges, gas lamps, and parts related to <i>Gobar</i> gas	441	1,397
Concession for bioenergy-based items including bio stoves, phenolic handles, and high-speed DC fans	2,197	1,166
Concession for machinery and chemicals used in the production of biofuels	1,735	3,972
Concession for medical machinery and equipment	42,764	45,804
Concession for machinery and materials for agricultural and livestock industries	4,241	12,420
Concession for pesticides, rodenticides, herbicides, disinfectants, water sanitizers, and water acidifiers for crop and livestock biosecurity	134,043	107,072
Exemption for medical and surgical instruments, devices, and equipment for government	4,405	8,108
Exemption for materials, machinery, and parts used in the production of intraocular lenses for eye treatment	18,292	12,603
Exemption for vehicles imported by foreign missions and donor organizations with diplomatic or customs privileges	15,637	20,058
Exemption for raw materials, auxiliary materials, and chemicals used in pharmaceutical production	1,075,954	952,977
Exemption on Duty for machinery, equipment, and parts required for the production, transmission, distribution, operation, or maintenance of hydropower projects	3,171,357	4,439,055
Exemption on Duty for deep cycle lead-acid batteries and lithium-ion batteries used in tempos	8,240	5,764
Exemption of Duty for paint manufacturing industries on materials such as iron oxide, propylene glycol, pigments, solvents, chemicals, and polymers	2,114	1,964
Exemption of Duty for temporarily exported films for development, processing, or screening	10,094	390
Concession for first-time importation of materials for hotel construction	52,725	52,096
Concession for mountaineering expeditions importing goods for climbing Nepal's mountains	284	92
Concession for newspaper publishing	4,304	6,999
Concession for syringe production and direct saline bottle production industries	5,716	5,589
Concession for buses used by educational institutions	34,964	40,609
Concession for agricultural seed imports	59,558	51,296
Concession for cold storage construction	129	3,286
Concession for medical equipment imports	33,688	51,936
Duty Concessions for COVID-19 Prevention and Treatment Imports	0	26,695
Concession for Air Handling Units Used in Pharmaceutical Production	23,405	38,096
Exemption for Parent Stock Chicks for Breeding	77,452	55,054
Concession for Raw Materials for Surgical Mask Production	386	589
Exemption for Fruits, Flowers, and Seeds for Cultivation	10,053	18,778
Exemption on Scooters for Persons with Disabilities	6,987	6,795
Exemption for Nepalese Army based on Ministry of Defense's Recommendation	2,113,868	3,363,558
Exemption for Nepal Police based on Ministry of Home Affairs' Recommendation	40,719	18,818
Exemption for Armed Police Force based on Ministry of Home Affairs' Recommendation	10,226	41,072
Concession for Seeds Import based on Seed Quality Control Center's Recommendation	0	212

Concession for Various Electronic and Luxury Goods	6,735	10,087
Exemption for Hydroelectric Project Equipment	346,850	274
Exemption on Import of Agricultural Ambulance or Transport Vehicle by Local Authorities	281	0
Concession on Special Utensils for Poultry Feeding and Seed Trays	9,998	10,249
Exemption for materials Imported by Industries	857,987	862,137
Exemption on import of urine bags	504	166
Exemption on Machinery and Equipment for Vaccine Industry Establishment	0	27,171
Exemption on Machinery and Equipment for Liquid Oxygen Industry Establishment	0	431
Concession on Import of Sanitary Pads, Tampons, and Menstrual Cups	240	105,863
Concession on Import of Machinery by Small, Household, and Cottage Industries	620	653
Concession on Import of Components and Materials for Production of Electric, Solar, or Battery-Powered Vehicles	1,917	56
Concession on Import of Non-Woven Fabric for Bag Production Industry	5,508	0
Concession on Import of Import of plastic based mixed fabrics	119,685	3,717
Concession for Biscuit and Chowmein Industry Raw Materials	0	211,125
Exemption for Pepper Seeds for Self-Use Industry	0	35,783
Exemption for Ambulances and Mortuary Vans for Hospitals	0	0
VAT Rebate on Saline Industry	4,840	916
Concession on Import of Components for Electric Induction/Infrared Stove Production	2,748	0
Concession on Import of Materials for Manufacturing Medical Equipment	7,311	0
Concession on Import of Import of Materials for Pharmaceutical Industry	892	236
Reduction or full exemption on fees, charges, revenue, or tax under this Act for non-profit public/community organizations, GoN, provincial/local governments, or GoN-owned organizations by Ministry of Finance	518,801	2,992,710
MoF can reduce or exempt import taxes for foreign loan/grant projects and their contractors/developers (per GoN/IB agreements)	4,080,164	2,525,324
Expenditure under loss code Diplomatic of the customs	493,571	683,379
Indian goods (value-based duty, excluding quantity-based) imported via LC get Duty exemption	1,405,849	1,577,022
SAFTA goods from SAARC countries (with LC, invoice, origin certificate) get partial Duty exemption	4,879,903	9,217,289
Expenditure under loss code Tariff of the customs	222,669	118,076
Chinese goods via Tibet land routes with value-based duty get Duty exemption	227,557	130,408
Other Expenditure classified as Loss Code by DoC	2,346,203	6,932,205
Total	32,819,722	44,958,710

CONCLUSION

The cooperation of relevant ministries, departments and organizations has been instrumental in facilitating the preparation of documents for Tax Expenditure. They have not only offered essential assistance but have also provided relevant information, guidance, and ensured timely cooperation. Personnel or representatives from the departments involved and external sources played a crucial role in filling in missing information gaps that couldn't be obtained from the authorities concerned. This collaborative effort extended to providing additional context, explanations, or supplementary data, ensuring the completeness and accuracy of the required documents and information.

This Tax Expenditure Report shall act an important fiscal tool for data-driven decision in implementing tax and fiscal policies by the Ministry of Finance.

Annexure 1: External Data Sources

S.N.	Name	Link
1	Alternative Energy Promotion Center	https://www.aepc.gov.np/
2	CDS and Clearing Limited	https://www.cdsc.com.np/
3	Civil Aviation Authority of Nepal	https://caanepal.gov.np/
4	Department of Archaeology	http://www.doa.gov.np/
5	Department of Consular Services	https://nepalconsular.gov.np/
6	Department of Customs (DoC)	https://customs.gov.np/
7	Department of Foreign Employment	https://dofe.gov.np/
8	Department of Forest and Soil Conservation	https://dofsc.gov.np/
9	Department of Industries	https://doind.gov.np/
10	Department of National Park and Wildlife Reserve	https://dnpwc.gov.np/en/
11	Department of Transport Management	https://www.dotm.gov.np/
12	Food and Agriculture Organization of the United Nations	https://moald.gov.np/
13	General Post Office	https://www.gpo.gov.np/
14	Kathmandu Upatyaka Khanepani Limited	https://kathmanduwater.org/
15	Land Management and Archive Department	https://dolma.gov.np/
16	Ministry of Agriculture and Livestock Development	https://moald.gov.np/
17	Ministry of Communication and Information Technology	https://mocit.gov.np/
18	Ministry of Culture, Tourism and Civil Aviation	https://www.tourism.gov.np/
19	Ministry of Drinking Water and Sanitation	https://mows.gov.np/
20	Ministry of Education, Science and Technology	https://moest.gov.np/
21	Ministry of Finance	https://www.mof.gov.np
22	Ministry of Foreign Affairs	https://mofa.gov.np/foreign-policy/bilateral-relation/
23	Ministry of Health and Population	https://moHP.gov.np/en
24	Ministry of Labour, Employment and Social Security	https://moless.gov.np/np
25	Ministry of Land Management, Cooperatives and Poverty Alleviation	https://molcpa.gov.np/
26	Ministry of Physical Infrastructure and Transport	https://www.mopit.gov.np/
27	Ministry of Youth and Sports	https://www.moys.gov.np/
28	National Reconstruction Authority	http://www.nra.gov.np/en
29	National Sports Council	https://nsc.gov.np/en
30	National Statistics Office	https://nsonepal.gov.np/
31	National Trust for Nature Conservation	https://www.ntnc.org.np/
32	Nepal Clearing House Limited	https://nchl.com.np/
33	Nepal Insurance Authority	https://nia.gov.np/
34	Nepal Oil Corporation	https://noc.org.np/
35	Nepal Rastra Bank	https://www.nrb.org.np/
36	Pension Management Office	https://pension.gov.np/
37	Salt Trading Corporation Limited	https://www.stcnepal.com/
38	Securities Board of Nepal	https://www.sebon.gov.np/
39	Small and Cottage Scale Industries	http://dcsi.gov.np/en
40	University Grant Commission	https://www.ugcnepal.edu.np/

Annexure 2: Reports and Publications

1. Annual Booklet 2079/80 (2022/23) and 2080/81 (2023/24) – Kalimati Fruits and Vegetables Market Development Committee
2. Annual Report 2022/23 – Nepal Electricity Authority
3. Annual Report 2022/23 and 2023/24 – Nepal Rastra Bank
4. Annual Report 2022/23 and 2023/24 – University Grants Commission
5. Annual Report 2079/80 (2022/23) and 2080/81 (2023/24) – Inland Revenue Department
6. Classification by Broad Economic Categories Rev.5 – United Nations 2016
7. Commercial Livestock Integrated Survey 2021 Nepal – Ministry of Agriculture and Livestock Development, National Planning Commission and Central Bureau of Statistics
8. Current Macroeconomic and Financial Situation of Nepal 2022/23 and 2023/24 – Nepal Rastra Bank
9. Domestic Revenue Mobilization Strategy (DRMS) 2024 – Ministry of Finance
10. Economic Survey 2022/23 – Ministry of Finance
11. Fiscal Policy for Sustainable Development, Nepal Public Expenditure Review – World Bank Group
12. GTED Progress Report 2022 and 2023
13. Industrial Statistics 2079/80 (2022/23) – Department of Industry
14. Inflation Report 2022/23 – Nepal Rastra Bank
15. Nepal Foreign Trade Statistics 2079/80 (2022/23) – Department of Customs
16. Nepal Living Standard Survey IV 2022/23 (2079/80) – National Statistics Office
17. Nepal Public Land Transport Survey 2013 – Central Bureau of Statistics
18. Sixty-first Annual Report of the Auditor General, 2081 (2024)
19. Statistical Information on Nepalese Agriculture 2022/23 – Ministry of Agriculture and Livestock Development
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