

**Procedure relating to digital service tax, 2079 BS (2022)**  
**(First Amendment, 2023)**

In order to make administration of digital service tax to be levied on transaction of digital service provided by non-resident person to consumers of Nepal pursuant to section 20 of Finance Act, 2079, simple and effective, this procedure has been issued by the Inland Revenue Department in exercise of power conferred by Sub-section (5) of section 20 of Finance Act, 2079 (2022).

**1. Short title and commencement:**

- (a) This procedure shall be called as "Procedure relating to digital service tax, 2079 (2022)".
- (b) This procedure shall come into force from 17 July 2022.

**2. Definitions:**

Unless the subject or context otherwise requires, in this Procedure,

- (a) "Income Year" means a period from the first day of shrawan (17 July) of any year to the last day of ashad (16 July) of the next year.
- (b) "Consumer" means a person who consumes goods and services having normal place of abode in Nepal.

Provided, a person who purchases goods and services by separate arrangement for business purpose or to use in business shall not be considered as consumer.

- (c) "Act" means Finance Act, 2079 (2022)
- (d) "Tax" means the Digital Service Tax to be deposited pursuant to section 20 of the act.
- (e) "Tax Officer" means the Tax Officer or Chief Tax Officer or Chief Tax Administrator appointed by the Government of Nepal, and this term also includes the Section Officer, Director, Deputy Director General of the Department or any other officer so designated by the Government of Nepal as to exercise the powers of the tax officer under the Act.
- (f) "Office" means Large Taxpayer Office.

- (g) “Transaction value” means value of goods and services provided in any income year as per section 2(i) of this procedure.
- (h) “Non-resident person” means any person except resident person.
- (i) “Digital Service provided to consumers of Nepal” means digital service provided by non-resident person to consumer if any one of the following conditions is satisfied:
  - (1) Service is received within Nepal,
  - (2) Billing address of services is in Nepal
  - (3) Payment is made through accounts maintained in banks or payment instrument operated by licensed institution or entity of Nepal,
  - (4) Payment is made through debit card, credit card or similar type of payment instrument issued by banks or licensed payment provider institution or entity of Nepal,
  - (5) Service is received by using internet protocol address in Nepal,
  - (6) Service is received by using SIM card having country code of Nepal or land line of Nepal.
- (j) “Resident person” means resident persons pursuant to Income Tax Act, 2058.
- (k) “Digital service” includes following services whose delivery essentially requires information technology and provided automatically through internet with minimal human intervention: -
  - (1) Advertisement,
  - (2) Movies, television, music, over the top (O.T.T) and other similar subscription based services,
  - (3) Data storage service
  - (4) Cloud service,
  - (5) Gaming,
  - (6) Service related to mobile application
  - (7) Online market place service and goods and services to be provided through it,
  - (8) Supply and update of software,
  - (9) Sales of data collected from resident person of Nepal,
  - (10) Download of data, images and similar services,
  - (11) Education, consultancy, skill development and training service,

- (12) E-book, e-library, e-newspaper,
- (13) Similar Services other than serial number 1 to 12
- (l) “Returns” means tax return to be submitted pursuant to schedule 3 of this procedure.
- (m) “Department” means Inland Revenue Department.
- (n) “Permanent account number” means Identification number provided to non-resident person pursuant to section 4(a) of this procedure.

### **3. Provision relating to basis of taxation and rate**

- (a) The rate of tax shall be of two percent on the transaction value of digital service (value excluding indirect tax levied in Nepal) provided by non-resident person to the consumers in Nepal
- (b) Tax shall not be levied for digital services provided to consumers in Nepal up to transaction value of two million rupees per income year. However, if transaction exceeds more than two million rupees, tax shall be levied on entire transaction pursuant to clause (a).
- (c) Since it is a direct tax, tax should not be collected by adding tax on value of service.
- (d) Non-resident person, providing online market place service and goods and service through it, shall disclose transaction value by including both the value of goods and services provided through it. However, in case of supply of goods and services by the resident person through such market place, the non-resident person should not include the same amount in transaction value.
- (e) The income, taxed under this procedure, shall not be taxed as per Income Tax Act, 2058 (2002). However, the income from the services provided to other than consumer shall be taxed pursuant to Income Tax Act, 2058 (2002).
- (f) The consumer shall be responsible in case of consuming the service by wrongly declaring himself as person other than the consumer.

### **4. Provision relating to tax administration**

Administration of this tax is carried out by Large Taxpayer Office.

### **5. Provision relating to registration**

- (a) Taxable person, as per the act, shall carry out transaction only after registering in Nepal and getting permanent account number. However, even in case of non-registration, no one will be relieved from obligation to pay tax according to this procedure.
- (b) Taxable person, as per the act, shall file an application for getting permanent account number to concerned office within thirty days from the date of exceeding transaction threshold. However, in case of voluntary registration, application may file any time to get permanent account number.
- (c) Non-resident person shall file an application to the office, in the format as set forth in schedule -1a, through online to get permanent account number. However, non-resident person, registered in value added tax, is not required get separate permanent account number.
- (d) Non-resident person shall scan and upload following documents of digital copy along with the application for registration.
  - (1) Notarized copy in English language of the company registration certificate registered in the country of residence.
  - (2) Notarized copy in English language of tax registration identification number received in the country of residence.
  - (3) Letter relating to the authorized person designated for tax purposes and a notarized copy of the person's passport in English.
  - (4) Photo of authorized person designated on behalf of non-resident person.
  - (5) Specimen of authorized person designated on behalf of non-resident person.
  - (6) Authorized letter, if any citizen of Nepal is designated for tax purpose and notarized copy of citizenship or passport of such person.
- (e) Office will issue a registration certificate in the format as set forth in schedule -2 within 7 days of the receipt of the application. Non-resident person shall be informed within 15 days of the receipt of application, with reasons, if it couldn't be registered by any reason.

#### **6. Provision relating to accounting of transaction and submission of return**

- (a) Non-resident person shall disclose transaction value in Nepali currency.
- (b) Non-resident person shall maintain account in accrual basis for the purpose of tax.

- (c) Non-resident person shall file its return of transaction according to income year.
- (d) Non-resident person shall file return to the office through online within 3 months of the completion of income year.
- (e) The format of the return will be as set forth in schedule -3.
- (f) In case tax return is not filed within the time limit, fee of 0.1 percent per year shall be charged.

**7. Provision relating to payment of tax**

- (a) Non-resident person shall pay tax, in accordance with the submitted tax return, at designated revenue heading through online.
- (b) Tax shall be paid within three months after the completion of income year.
- (c) In case, failure to pay tax within the stipulated time limit, interest of fifteen percent annually shall be charged, pursuant to sub-section (3) of Section 20 of the Act.

**8. Provision relating to audit and tax assessment of transaction**

- (a) Office may make tax assessment by conducting a
- (b) Audit of the transaction of non-resident person.
- (c) In auditing the transaction by the office, if it is found that any non-resident person has suppressed the tax liability by understating the transaction than the actual transaction, tax penalty of 50 percent of tax amount, that was concealed or hid, shall be imposed in accordance with the sub-section (3) of section 20 of the Act.
- (d) The process of tax assessment will be as follows:
  - (1) In case any information or evidence is received that tax liability is suppressed by understating the transaction amount or concealing or hiding it, Tax Officer shall issue an Initial tax assessment order based on such evidences.
  - (2) In case, such order is sent to email, provided at the time of registration, or it is provided to the representative, appointed by non-resident person, it shall be deemed to have delivered the information.
  - (3) A period of fifteen days to be given for the submission of proof and evidence for the defense on such assessment of tax.
  - (4) Tax Officer may issue final tax assessment order considering proof and evidence provided by the non-resident person.

**9. Provision relating to cancelation of registration**

- (a) If non-resident person closed down the transaction or intended to cancel the registration with any reason, an application shall be submitted to the Tax Officer in the format set forth in schedule – 4.
- (b) Office shall notify cancellation of the registration or reason for not being deregistered within three months of the receipt of the application.

Schedule – 1  
(Relating to Section 5(c) of the Procedure)  
Government of Nepal  
Ministry of Finance  
Inland Revenue Department

Application for Registration in Digital Service Tax (For Non-Resident Person)

(a) General Information of Non-resident person;-		
1.	Types of persons	(P) Ltd./Limited/Partnership/ Public Organization/Others
2.	Legal name	
3.	Business registration number of resident country	
4.	Address	
5.	Address for letter correspondence	
6.	Taxpayer identification number for tax purpose in resident country	
7.	Email address	
8.	Telephone number (including country's code)	
9.	Mobile number (including country's code)	
10.	Estimate annual transaction (in Rs.)	
11.	Name of authorized person	

(b) Details of the Authorized Person:-			
1.	First Name	Middle Name	Last Name
2.	Gender		
3.	Designation		
4.	Date of birth		Day / Month/Year
5.	Nationality		

6.	Passport number	
7.	Name of the passport issuer country	
8.	Taxpayer identification number for tax purpose in resident country	
9.	Name of the taxpayer identification issuer country	
10.	Email address	
11.	Mobile number (including Country's code)	

(c) Details of Nepali Representative (If Nepali citizen is nominated as a representative for tax purpose):-			
1.	First Name	Middle Name	Last Name
2.	Address		
3.	Gender		
4.	Date of birth		Day / Month/Year
5.	Citizen or Passport number		
6.	Permanent account number		
7.	Email address		
8.	Mobile number		

(d) Types of Digital Services (Please select):-		
1.	Advertisement	
2.	Movies, television, music, over the top (O.T.T) and other similar subscription based services	
3.	Data storage service	
4.	Cloud service	
5.	Gaming	
6.	Mobile application	

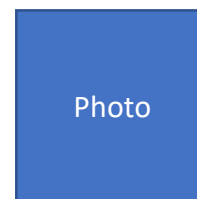


7.	Online market place service and goods and services to be provided through it	
8.	Supply and update of software	
9.	Sales of data collected from Resident person of Nepal	
10.	Download of data, images and other similar services	
11.	Education, consultancy, skill development and training service	
12.	E-book, e-library, e-newspaper service	
13.	Similar services other than serial number 1 to 12	

(e) Scan copy of documents to be uploaded:-		
1.	Certificate of company registration in country of residence	
2.	Certified copy of taxpayer identification number issued from country of residence	
3.	Nomination letter for authorized person	
4.	Passport of authorized person	
5.	Photo of authorized person	
6.	Scan copy of signature of authorized person	
7.	Letter, if representative is nominated	
8.	Citizen or passport of representative	

<b>(f) Declaration</b>	
I certify that documents and information provided as above is correct, true and complete.	
Signature of authorized person:	Place:
Designation:	Address:

Schedule – 2  
(Relating to Section 5(e) of the Procedure)  
Government of Nepal  
Ministry of Finance  
Inland Revenue Department



Permanent Account Number Certificate

Permanent Account Number:		Registration date in Digital Service Tax	
Office:		Registration date in Value Added Tax	

Taxpayers' Name :  
Types of Taxpayers : Non-resident person (Types .....)  
Address :  
Transaction : Supply of digital services (Types .....)

.....  
Signature of Taxpayer  
(Self-generated signature from the Registration Application)

.....  
Signature of Tax Officer

Schedule – 3  
(Relating to Section 6(e) of the Procedure)  
Government of Nepal  
Ministry of Finance  
Inland Revenue Department

Digital Service Tax Return (For Non-resident Person)

Permanent Account Number		Name	
Address		Income Year	

Calculation of tax	
Transaction value of digital service (In NRs.)	XXX
Rate of digital service tax	2%
Tax liability (In NRs.)	XXX
Interest	XX
Fee for late submission of return	XX
Total tax amount to be paid	XXXX

Sales Details (Including service provided to business except to Nepali consumers though not included in digital service transaction)					
S. N.	Name of consumers	Permanent account number (if available)	Address	Total transaction value (Excluding VAT)	Types of Buyer
					Consumer / Business

Note: To be uploaded in Excel file

I certify that information provided as above is correct, true and complete.

Signature of authorized person:

Place:

Designation:

Address:

Schedule – 4  
(Relating to Section 9(a) of the Procedure)  
Government of Nepal  
Ministry of Finance  
Inland Revenue Department

Application for Cancellation of registration (For Non-Resident Person)

1. Details of taxpayer			
Permanent Account Number		Name	
Address			

Details of taxpayer of current income year	
Return submission date of current income year	
Tax liability	
Tax payment date	
Voucher date	

Reasons for Cancellation of registration

Taxpayers Declaration	
I certify that information provided as above is correct, true and complete.	
Signature of authorized person:	Place:
Designation:	Address: