

## Budget to change tax rates massively

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The federal budget of fiscal year 2018-19 will change the tax rates massively and also introduce policies to expand the tax net.

Through the budget, the government is preparing to introduce another slab in income tax.

Currently, the government levies 15 per cent and 25 per cent income tax slabs. Individuals do not have to pay income tax for income of up to Rs 350,000 per annum. The limit for married couples is Rs 400,000 per year.

For those whose annual income crosses the set threshold have to pay 15 per cent income tax for income up to Rs 450,000 for individuals and Rs 500,000 for couples. Also, there is another slab of 25 per cent for those whose income exceeds Rs 450,000 for individuals and Rs 500,000 for couples.

Now, the government is preparing to increase the threshold limit, while at the same time introduce another slab of 10 per cent to cover those currently not included in the income tax net.

According to the Ministry of Finance officials, this will address the horizontal and vertical gaps in enforcement of income tax. "If two people earn similar amount, both should come under the income tax net and those who earn more have to pay more income tax," said an official privy to the development.

Income tax is the major contributor among taxes after Value Added Tax (VAT) in the present context. As per credible sources at the ministry, the next budget will increase the land and building registration fees; raise excise in cigarettes and tobacco products, alcohol, among others; and hike customs tariff on finished agricultural goods.

Apart from this, high-value luxury vehicles would also be levied additional taxes from next fiscal.

The measures are likely to increase Nepal's tax-to-GDP ratio, which was already the highest among South Asian countries in fiscal 2016-17, and was at par with emerging market economies.

Another focus of the upcoming budget would be to mitigate the revenue risks in customs from under-invoicing and false declaration of goods, as per officials.

"The budget will address the practices of wrong declaration, classification and valuation, and actions will be taken against both traders and customs officer found to be engaging in such ill-practices." Similarly, officials said the next budget especially focus on expanding tax net and introducing investment-friendly policies.

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## Economic survey today

**KATHMANDU:** Finance Minister Yubaraj Khatiwada will present 'Economic Survey' and 'Progress Report of State-Owned Enterprises' in the Parliament on Sunday.

These documents are presented in the Parliament before the budget. The government will present federal budget for fiscal 2018-19 on May 29, following which, sub-national governments will present their budget to provincial parliaments and local assemblies. The provincial governments have to present their budget to the provincial assembly (parliament) by mid-June or a month before the new fiscal year begins.

As per the provision of the Constitution, the federal government has to present its budget two weeks ahead of the provincial budget and provinces have to give a final shape to their budget by making necessary adjustments as per federal budget. The local governments have to submit their budget to the budget assembly 20 days ahead of the fiscal year calendar.

Source: The Himalayan Times, 27<sup>th</sup> May 2018