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**Part 3**

**Government of Nepal**

**Ministry of Finance**

**Notice**

Income Tax (Tenth Amendment) Rules 2019

Amendment of Income Tax Rules 2002 was desirable so using the power granted pursuant to section 138 of Income Tax Act 2002 following rules have been formed:

1. **Short Title and Commencement**: (1) the rules shall be called as the “Income Tax (Tenth Amendment) Rules, 2019.

(2) These rules shall come into force immediately.

1. **Amendment in rule 21 of Income Tax Rules, 2002**

Following restrictive statement has been added to rule 21 of Income Tax Rule 2002 :-

“But in case of a natural person who is a beneficiary of Social Security Fund established pursuant to Contribution Based Social Security Fund Act 2017, such individual may deduct as retirement contribution made to the fund, lower of Five Lakh Rupees or one third of assessable income from his/her taxable income.

Faithfully,

Shishir Kumar Dhungana

Secretary of Government of Nepal

However, as per the example stated in Income Tax Directive 2010 (Amendment 2017) issued by Inland Revenue Department (IRD) for the purpose of calculating allowable deduction is mentioned in following manner with respect to retirement fund contribution:

1. Actual deposit or 1/3 of assessable income or NPR 300,000 whichever is lower. (Previous one)
2. As per new amendment, it can also be understood in the same way like, actual deposit or 1/3 of assessable income or NPR 500,000 whichever is lower can be deductible from taxable income. (New One)