

Income from Employment 10 Marks

Employment means contract between employee and employer working by using physical or mental effort under providing remuneration as per performance/position of certain job.

1. Computation of Assessable income from employment for income year 2080/81

| Particulars/Income head | Amount |
|--|--------|
| Annual Salary (Monthly salary x12) | Xxx |
| Contribution to Provident fund by employer(10% of annual salary) | xxx |
| Dashain allowance(1 month salary) | xxx |
| Dearness allowance(allowancex12) | xxx |
| Outstation allowance | xxx |
| Remote area allowance | Xxx |
| House rent allowance | xxx |
| Encashment of home leave, sick leave, annual leave | Xxx |
| Transportation allowance | Xxx |
| Entertainment allowance, food allowance, force leave allowance | xxx |
| Reimbursement of personal expenses | xxx |
| Overtime pay | Xxx |
| Prize/gift received from employer related to employment. | Xxx |
| Bonus and incentives | Xxx |

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|---|-----|
| Payment of accepting restriction related to employment | Xxx |
| Medical allowance paid by employer | Xxx |
| Insurance premium paid(LIP) by employer | Xxx |
| Vehicle facility provided by employer(0.5% of annual salary) | Xxx |
| Accommodation facilities(2% of annual salary) | Xxx |
| Under payment of interest/concessional interest by employer (10%-4%)=6%(save) | Xxx |
| Amount received for, gardener, cook, assistant | Xxx |
| Meal, refreshment or entertainment separately provided by employer | Xxx |
| Advance salary received | Xxx |
| Pension income from previous employer(13 month salary) | Xxx |
| Other income related employment | Xxx |
| Total Assessable income from Employment. | Xxx |

2. Statement of Taxable Income

| Particulars | Amount |
|---|------------|
| Assessable income from Employment | xxx |
| Assessable income from investment | xxx |
| Assessable income from Business/Profession | xxx |
| Total Assessable Income | XXX |
| Less: Allowable Deduction | |
| a. Contribution to Approved Provident Fund and CIT or retirement fund | Xxx |

| | |
|--|-----|
| <ul style="list-style-type: none"> -1/3 of total assessable income xxx -20% of annual salary +CIT+ Retirement fund -Maximum 300000 (whichever is less) | |
| <ul style="list-style-type: none"> b. Contribution to Social security fund(SSF) -1/3 of assessable income -31% of Annual salary +CIT Maximum 500000 (which ever less) | xxx |
| <ul style="list-style-type: none"> c. Donation to tax exempt organization/approved by IRD -5% of Adjusted Taxable income xxx -Actual donation given xxxx -100000 xxx (whichever is less) | xxx |
| <ul style="list-style-type: none"> d. Donation to Prime minister disaster relief fund, National reconstruction fund, national level sport (actual donation paid is allowable) | Xxx |
| <ul style="list-style-type: none"> e. Remote area deduction or exemption Area A=50000, B=40000,C=30000,D=20000 E=10000 | xxx |
| <ul style="list-style-type: none"> f. Life Insurance Premium(LIP) Exemption: Maximum Limit=40000 Actual LIP paid (self only)=xxx (Whichever is less) | Xxx |
| <ul style="list-style-type: none"> g. Health insurance Premium(HIP) Exemption Maximum Limit=20000 Actual HIP paid(self only) xxx (Whichever is less) | Xxx |

| | |
|--|-------------|
| h. Building insurance Maximum 5000 Actual premium paid xxx (whichever is less) | Xxx |
| i. Pension exemption Single:25% of 500,000 Couple: 25% of 600,000 Actual pension received xxx=13 month salary (whichever is less) | xxx |
| J. Disable individual exemption: Single:50% of 500,000 Couple: 50% of 600,000 | Xxx |
| H. Foreign allowance exemption -75% of foreign allowance | Xxx |
| Net Taxable Income (including capital gain if) Less: Capital gain(if) Gain on sale of share and securities xxx Gain on sales land and building xxx Gain on sale of non-business chargeable assets xx | Xxx` |
| Net Taxable after capital gain(if) | xxx |

Disable individual Total income =700000

Exemption(discount) =500000x 50%=250000

Taxable income : 450000

3. Statement of tax Liabilities: Employment income

| Individual | Rate | For couple | Rate |
|--|------|-------------------------|------|
| Up 500000 | 1 % | Up 600000 | 1% |
| Next 200000 | 10% | Next 200000 | 10% |
| Next 300000 | 20% | Next 300000 | 20% |
| Next 1000000 | 30% | Next 900000 | 30% |
| Next 3000000 | 36% | Next 3000000 | 36 |
| Balance (above 5000000) | 39% | Balance (above 5000000) | 39% |
| Capital Gain Tax: | | | |
| Gain on sale of share and securities | | xxx | |
| Gain on sales land and building | | xxx | |
| Gain on sale of non-business chargeable assets | | xxx | |
| Total Tax Liability | | xxx | |
| Less: Female tax rebate (10%) | | xxx | |
| Advance tax paid (Advance TDS) | | xxx | |
| Medical tax credit | | xxx | |
| Foreign tax credit | | xxx | |
| Net Tax Payable/Refundable | | xxx | |

If Employee contributed in Social security fund(SSF) or if person's income from business or investment only(not employment) or Pension received from government of Nepal: **1% Social security tax is exempt/rebate**

Or Income from Business investment or Profession

| Individual | Rate | For couple | Rate |
|------------|------|------------|------|
|------------|------|------------|------|

| | | | |
|--|-----|-------------------------|------------|
| Up 500000 | 0 % | Up 600000 | 0% |
| Next 200000 | 10% | Next 200000 | 10% |
| Next 300000 | 20% | Next 300000 | 20% |
| Next 1000000 | 30% | Next 900000 | 30% |
| Next 3000000 | 36 | Next 3000000 | 36 |
| Balance (above 5000000) | 39% | Balance (above 5000000) | 39% |
| Capital Gain Tax: | | | |
| Gain on sale of share and securities | xxx | | |
| Gain on sales land and building | xxx | | |
| Gain on sale of non-business chargeable assets | xxx | | |
| Total Tax Liability | | xxx | |
| Less: Female tax rebate (10%) | | xxx | |
| Advance tax paid (Advance TDS) | | xxx | |
| Medical tax credit | | xxx | |
| Foreign tax credit | | xxx | |
| Net Tax Payable/Refundable | | | xxx |

Note: Income not included in employment income

1. Food, lunch facility provided by employer to all employee in same mesh or equal term.
2. Vehicle or transportation facility provided by employer to all employee in equal term.
3. Travelling and daily allowances(TADA) and saving from TADA is not taxable.

4. Meeting allowance per meeting up to 20000 is final TDS, not included in income.
5. Elder citizenship allowance, social security allowance, widow allowance etc are not taxable.
6. Pension income up to 500000 for single and up to 600000 for couple is not taxable (1% SST is not applicable).
7. Expenses up to 500 per time paid by employer for employee per time is not taxable (medical treatment, refreshment, office expenses etc)
8. Any final TDS like Dividend, interest, income from part time lecturer, examiner fee etc are not included in income.
9. Gift/prize received not related to employment.
10. Scholarship received not related to employment(eg. Scholarship received from Mahatma Gandhi University)
11. Any Skill development, training expenses paid by employer to employee related to employment(like Computer training).
12. Encashment of home leave, sick leave, Provident fund, Citizen investment trust(CIT), Gratuity and interest income before 2058 Chaitra 19 is not taxable. But interest from CIT, PF is after 2058 is taxable.
13. Any income received from public fund of foreign government is not taxable (eg. Pension income of Gorkha Army, Russian Army)

14. Lottery income, casual gain etc are final TDS and not included in income.

Note: Expenses are not allowable deduction

1. Contribution to unapproved retirement fund are not allowable deduction but included in income.
2. Donation given to poor students, local club , local temple, private school, hospital, unregistered political party which are not approved by IRD are not allowable deduction.
3. LIP or HIP of son, daughter, wife are not allowable deduction.
4. Pension collection charge, gift/prize collection charge are not allowable deduction.
5. If health insurance premium(HIP) is deducted from assessable income then medical tax credit is not allowable deduction.
6. Cosmetic surgery, plastic surgery related expenses are not allowable deduction as medical tax credit.
7. If women engaged with other business or investment income along with employment income then 10% women rebate is not allowable deduction.
8. Any Personal expense are not allowable deduction.

Medical tax credit: It deducted from Total Tax Liability(payable):

15 % of Medical bill xxx

Maximum 750 xxx

(whichever is less)

If tax payer has not tax liability or Tax refundable instead of tax payable in current year(2080/81) then claimed medical tax credit is carry forward to next year(2081/82).

Donation given to prime minister relief fund, reconstruction fund are fully allowable deduction.

Income from investment

| Income Head | Amount |
|--|--------|
| Dividend from non-resident company | Xxx |
| Interest from private party | Xxx |
| Royalty from natural resources | xxx |
| Royalty from writing books | xxx |
| Compensation received | Xxx |
| Rent received(Except final TDS) | xxx |
| Gain on sale of share securities | Xxx |
| Gain on sale of non business chargeable assets | Xx |
| Gain on sale of land and Building | Xxx |

| | |
|--|------------|
| Gift received related to investment | Xxx |
| Bad debt recovered etc. | Xxx |
| Total Assessable income | Xxx |
| Less: Allowable deduction | |
| Royalty, interest collection charge | Xxx |
| Other allowable deduction | Xxx |
| Net Assessable income from investment | xxx |

Vehicle Facility: It includes Driver, fuel facility including Car, so but it does not includes motorcycle and cycle facility. Vehicle facility can be used office and personally/Private also.

Vehicle facility= 0.5% of annual salary

Driver salary, petrol paid by employer vanema vehicle facility rakhi sake paxi narakhne.

Accommodation or House rent facility

It does not includes cook, guard, including house or quarter. So cook facility, servant diyako xa vave xuttai rakhne and accommodation facility pani rakhne

Accommodation facility = 2% of Annual salary

