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Date: 7th January 2017
To: Whomsoever It May Concern
Subject: Procedure for Calculation of TAX before Making Payment

This has come to the notice of undersigned that few applications with request for Advance Settlement or Refund by Project Staff are pending at Finance Section of RDC for following reasons;

1. Discrepancies discovered in Taxable Amount and Net Payable Amount
2. Tax Rate on Payment to Field Staff/Research Assistant
3. Tax Rate on Payment of Goods
4. Tax Rate on Vehicle Hire/Hall Rent

Furthermore all the Project Leaders are hereby reminded to read the given instructions carefully and contact the Finance Section at RDC for any assistance in payment to the Project Staff. Alternatively, please let the Project Finance Officer at RDC Directorate help you in payment to your Project Staff on Payroll through Bank or Cheque that will prevent any discrepancies in understanding Taxable Amount and Net Payable Amount thereby avoiding delays in Advance Settlements or Refund.

Sincerely,

Subodh Sharma, Prof. Dr. nat techn.
Director of Research, Development & Consultancy (RDC)
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Central Office, Dhulikhel
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A. Payment to Consultant including Local Resource Person/Translator/Field Assistant as Student etc.: Tax Rate @15 TDS on Taxable Amount applies.

Example:

Paid to Consultant for 5 days @ NPR 6,000.00 per day.

Calculation:

Taxable Amount = 5 days x NPR 6,000.00 = NPR. 30,000.00

Less: 15% TDS (30,000.00 x 15%) = NPR. 4,500.00

Net Payable Amount = NPR. 25,500.00

Type of Invoice	Payment Procedure
If invoice is printed	Invoice must be issued on Taxable Amount/Gross Amount (eg, NPR 30,000.00 not in Net amount NPR 25,500.00 but the consultant will be entitled to receive NPR. 25,500.00 only)
If invoice is loose bill (eg, Template 6.1)	There must be quoted like Received NPR 25,500.00 after deducting 15% TDS NPR 4,500.00 out of Total payment amount NPR 30,000.00 for.... (Purpose). Please use only one format which is attached in RDC webpage

B. Payment of Goods > NPR 50,000.00 (PAN/VAT)/Payment to Consulting Firm or Taxable Service even amount is <50,000.00(VAT Registered) : Tax Rate @1.5% on Taxable Amount

Example:

Procurement of Stationary or Consulting Fee is NPR 50,000.00 + 13% VAT NPR 6,500.00 = Total Invoice amount NPR 56,500.00

Calculation:

Taxable Amount = NPR. 50,000.00

Less: 1.5% TDS (50,000.00 x 1.5%) = NPR. 750.00

Add: 13% VAT = NPR 6,500.00

Net Payable Amount = NPR. 55,750.00

C. Vehicle Hire or Hall/Building or Other Rent : Tax Rate @10% on Taxable Amount

Example:

Vehicle Hired / Hall Rented for 5 days @ NPR 5,000.00 per day.

Calculation:

Taxable Amount = 5 days x NPR 5,000.00 = NPR. 25,000.00

Less: 10% TDS (25,000.00 x 10%) = NPR. 2,500.00

Net Payable Amount = NPR. 22,500.00

Type of Invoice	Payment Procedure
If invoice is printed	Invoice must be issued on Taxable Amount/Gross Amount (NPR 25,000.00 not in Net amount NPR 22,500.00 but Vehicle owner will be entitled to receive NPR. 22,500.00 only).
If invoice is loose bill (eg, Template 6.1)	There must be quoted like Received NPR 22,500.00 after deducting 10% TDS NPR 2,500.00 out of Total amount NPR 25,000.00 for (Purpose). Please use only one format which is attached.

10% tax rate is applicable to them who are registered only in PAN or Loose bill not to VAT registered firm even the service is awarded for rental purpose because it comes under 1.5% tax rate as described above.

Always ask PAN Certificate before making any payment and quote it in same Payment Slip (If they have) so that it verifies that tax is being paid to Government by bearer else government collects tax but it's not verified that Tax is paid by same bearer.