TRANSPORTATION VAT DIRECTIVE

Transportation VAT Directive, 2080: What Operators, Accountants & Officials Need to Know

Issued by: Inland Revenue Department, the Government of Nepal, Ministry of Finance

Compiled by: A.P. & Associates, Chartered Accountants— Your trusted partner in tax and financial compliance

Why This Directive Exists

The Government of Nepal, Ministry of Finance, framed this Directive in exercise of the authority conferred by Rule 61 of the Value Added Tax Rules, 2053. But why was it needed in the first place?

In order to simplify the arrangements made in respect of the levy of Value Added Tax on transportation services, to ensure procedural clarity, transparency and predictability, and to ensure compliance with tax laws as well as taxpayer cooperation, the Government of Nepal, Ministry of Finance, has framed this Directive.

Simplification

Cut through the complexity of how VAT applies to transport — one clear set of rules for everyone.

Transparency

Everyone — operators, hirers, importers — knows exactly what is expected of them.

Predictability

No surprises. Thresholds, deadlines, and procedures are spelled out clearly.

Compliance

Encourage taxpayer cooperation by making the rules easy to follow.

In simple terms: This Directive is the government's way of saying, "Here are the exact rules for VAT on transport — no guesswork required."

Who Does This Apply To?

The Directive applies to any **transport operator** — defined as a person directly engaged in the work of transporting goods by various means of transport. This term shall also include freight forwarders and cargo operators.

A **means of transport** means a truck, tanker, aircraft, helicopter, ropeway, cable car, cableway, waterway transport, transport by animal, or any other means by which goods are transported for a service charge.

Trucks & Tankers

Road freight operators moving goods across Nepal and across borders.

Aircraft & Helicopters

Air cargo operators and helicopter freight services.

Ropeway, Cable Car & Cableway

Mountain and industrial goods transport via aerial systems.

Waterway Transport

River and waterway-based cargo movement.

Freight Forwarders & Cargo Agents

Intermediaries who arrange transportation on behalf of others — also covered.

In simple terms: If your business moves goods for a fee — by road, air, water, rope, or animal — this Directive applies to you.

Key Definitions Glossary

Unless the subject or context otherwise requires, in this Directive, the following terms carry these meanings:

Act
"Act" means the Value Added Tax Act, 2052.

Office
"Office" means the Large Taxpayers Office, Medium Level Taxpayers Office, Inland Revenue Office, or Taxpayer Service Office, and this term shall also include such office as designated by the Government of Nepal for tax purposes.

Transaction
"Transaction" means the act of providing a transportation service by means of a transport.

Means of Transport
"Means of transport" means a truck, tanker, aircraft, helicopter, ropeway, cable car, cableway, waterway transport, transport by animal, or any other means by which goods are transported for a service charge.

Transport Operator
"Transport operator" means a person directly engaged in the work of transporting goods by various means of transport, and this term shall also include freight forwarders and cargo operators.

Rules
"Rules" means the Value Added Tax Rules, 2053.

Invoice
"Invoice" means the tax invoice referred to in Rule 17 of the Value Added Tax Rules, 2053.

Ministry
"Ministry" means the Government of Nepal, Ministry of Finance.

Department
"Department" means the Inland Revenue Department.

Person
"Person" means a natural person engaged in business transactions, whether or not holding a Permanent Account Number (PAN), and shall also include an entity, firm, or company registered under law.

Service
"Service" means anything other than goods.

Service Charge
"Service charge" means any charge, payable according to the market price payable under prevailing law, for a transportation service or transportation work provided by a transport operator.

The 50 Lakh Rule — Do You Need to Register for VAT?

Section 3 of the Directive sets out the registration rules. Here is how they work:

If any person directly engaged in the transportation of goods by means of a transport is in a situation where it can be estimated, pursuant to Sub-rule (1) of Rule 6 of the Rules, that the annual transaction will exceed fifty lakh rupees, such person shall disclose that fact and submit an application for registration to the concerned office.

Notwithstanding anything contained in Sub-section (1) above, if the transaction of a person, without there having been a situation in which the transaction could be so estimated, comes to exceed fifty lakh rupees, such person shall submit an application to the concerned office for registration within thirty days from the date on which it so exceeded.

> In simple terms: If you cross NPR 50,00,000 unexpectedly — even without prior warning — you have exactly 30 days to register. Don't miss that window.

A transport operator whose transaction for the preceding twelve-month period is less than fifty lakh rupees may carry on transactions without registering for Value Added Tax, unless such operator voluntarily wishes to register.

Provided that, a Permanent Account Number shall nevertheless be obtained for that purpose.

> In simple terms: Below NPR 50,00,000? You don't have to register for VAT — but you still need a Permanent Account Number (PAN). No exceptions.

Renting Out Your Vehicle?

What if you own a truck but don't drive it yourself — you rent it out to someone else? The Directive has specific rules for this scenario.

Where the owner of a means of transport, without operating the transportation service personally, has — whether under an agreement or otherwise — allowed another person or entity to use it on hire, and where the rental amount so received exceeds fifty lakh rupees during the preceding twelve-month period, the person providing the transportation service on hire shall be required to be registered for Value Added Tax.

> In simple terms: If you earn more than NPR 50,00,000 per year by renting out your vehicle, you — the owner — must register for VAT, even though you're not the one driving.

Where a transportation service has been provided on hire pursuant to Sub-section (4), if the person taking the means of transport on hire carries out a transaction exceeding the threshold requiring registration, such person taking it on hire shall also be required to be registered for Value Added Tax.

> In simple terms: The person who hires the vehicle and uses it to run a transport business also has to register for VAT if their own transactions cross the NPR 50,00,000 threshold. Both sides of the hire arrangement can independently trigger a registration obligation.

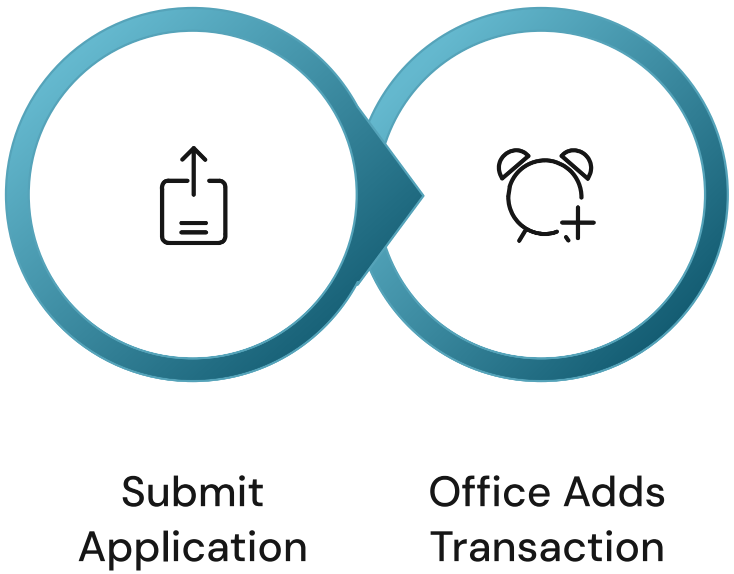
Adding a Second Vehicle Under One PAN

Many small transport operators in Nepal run their business as a proprietorship firm registered in the name of a natural person. What happens when they want to add another vehicle or transaction to their existing setup?

In the case of a person who has heretofore been carrying on business under a proprietorship firm registered in the name of a natural person, having obtained a Permanent Account Number, and who wishes to add an additional transaction in his or her name, such person shall submit an application to the concerned office, enclosing the registration certificate of the means of transport, requesting that it be included as an additional transaction.

On the basis of the application submitted pursuant to Sub-section (6), the concerned office shall add the additional transaction. The income and expenditure of such additional transaction shall likewise be accounted for under the same single Permanent Account Number.

> In simple terms: If you already have a PAN and a registered proprietorship, you don't need a new PAN for your second truck. Submit an application with the vehicle's registration certificate, and the office will add it under your existing PAN. All income and expenses for both vehicles are tracked under that one PAN.



Invoicing Rules

A transport operator registered for Value Added Tax shall issue a tax invoice pursuant to Section 14, in respect of transactions falling under Section 5 of the Act.

Who Issues the Invoice?

The registered transport operator issues the tax invoice. While issuing an invoice pursuant to Sub-section (1), the transport operator shall issue the invoice from its head office.

Branch Office Exception

Provided that, if a branch has been established to carry out transportation work at various locations within Nepal, there shall be no bar to issuing the invoice from such branch office.

Electronic & On-Vehicle Invoicing

While issuing an invoice under this Section, it shall also be permissible, with the approval of the concerned office, to issue the invoice by electronic means, or to issue the invoice by keeping the invoice booklet in the means of transport itself. Such invoice shall mandatorily bear the number of the means of transport.

Record-Keeping at Head Office

While issuing invoices, an up-to-date record clearly indicating which serially numbered invoice is kept in which means of transport shall be maintained at the head office, and particulars thereof shall also be furnished to the concerned office.

In simple terms: Invoices normally come from your head office. But if you have branches, they can issue invoices too. You can even keep an invoice booklet in the truck itself — just get approval first, and always put the vehicle number on every invoice. Keep a master log at head office of which invoice books are in which vehicle.

Cross-Border Transport & VAT

This is one of the most practically important rules in the Directive. VAT treatment differs depending on whether goods are being imported into Nepal or exported out of Nepal.

Imports — VAT Applies

In the case of the import of goods, if a transport operator registered for Value Added Tax in Nepal undertakes, on behalf of the Nepalese importer, the transportation from foreign territory up to the importer's place of business, Value Added Tax shall be collected on the amount payable for the transportation service rendered from the Nepal customs point up to the importer's place of business.

Exports — VAT Does NOT Apply

Provided that, in the case of exports, Value Added Tax shall not be collected on the amount payable for the transportation service rendered from the exporter's place of business up to the customs point.

Import Flow

Foreign origin → Nepal Customs Point (VAT applies)

Export Flow

Exporter's premises → Nepal Customs Point (VAT stops)

In simple terms: For imports, VAT kicks in the moment goods cross into Nepal at the customs point — you charge VAT on the transport from customs to the importer's door. For exports, the leg from the exporter's warehouse to the customs point is VAT-free.

Hiring an Unregistered Transporter or Foreign Provider

What if you hire a transporter who is not registered for VAT — or you use a foreign transport company? The VAT obligation doesn't disappear. It shifts to you.

A person who takes a means of transport on hire, or obtains a transportation service, from a person not registered for Value Added Tax shall, at whichever is earlier of the time of payment or the time the service is obtained, assess the Value Added Tax on the taxable value by completing the form set out in the Schedule, and shall deposit the same with the concerned office within twenty-five days from the end of that month.

A person who causes goods to be transported within Nepal by a foreign service provider shall, at whichever is earlier of the time of payment of the amount for such service or the time the service is obtained, assess the tax on the taxable value, and shall deposit the same with the concerned office within twenty-five days from the end of that month.

⚠ In simple terms: If your transporter isn't VAT-registered, or if you use a foreign carrier, you must calculate the VAT yourself, fill in the prescribed form, and deposit it with the tax office within 25 days of the end of that month. The trigger is whichever comes first — the date you pay, or the date you receive the service.

Claiming It Back — Input Tax Credit vs. Expense Deduction

After you've deposited VAT on behalf of an unregistered or foreign transporter, you're not necessarily out of pocket. The Directive provides two ways to recover that amount.

The tax under Sub-sections (1) and (2) may be entered in the purchase account and claimed as an input tax credit. In making such a claim, a person dealing exclusively in goods or services on which Value Added Tax is not chargeable may instead claim it as a deductible expense.

Input Tax Credit

If your business is VAT-registered and deals in VAT-chargeable goods or services, you can enter the VAT you deposited in your purchase account and claim it back as an input tax credit — offsetting it against your own VAT liability.

Deductible Expense

If your business deals exclusively in goods or services on which Value Added Tax is not chargeable, you cannot claim an input tax credit — but you may instead claim the VAT paid as a deductible expense for income tax purposes.

In simple terms: You can get the money back — either as a VAT credit (if you're in the VAT system) or as a tax-deductible cost (if you're not). Either way, you're not permanently losing that amount.

Filing Returns

The tax return required to be submitted pursuant to Section 18 of the Act may, in the case of a transportation service with an annual transaction of up to one crore rupees, be submitted on a four-monthly basis. In the case of a transaction exceeding that amount, the return thereof shall be submitted to the concerned office on a monthly basis.

Annual Turnover	Filing Frequency	Basis
Up to NPR 1,00,00,000 (one crore)	Four-monthly (3 returns per year)	Section 18 of the Act
Above NPR 1,00,00,000 (one crore)	Monthly (12 returns per year)	Section 18 of the Act

In simple terms: Small operators (under NPR 1 crore annual turnover) file VAT returns only three times a year. Larger operators file every month. Know which category you fall into — filing late attracts penalties.

What Happens If There's a Grey Area?

No directive can anticipate every situation. The Directive acknowledges this and provides a clear mechanism for resolving ambiguity.

If any difficulty arises in the course of implementing this Directive, the Department may take such decisions as are necessary and implement them, provided that such decisions are not inconsistent with the spirit of the Act, the Rules, and this Directive.

In simple terms: If a situation arises that the Directive doesn't clearly cover, the Inland Revenue Department has the authority to make a call — as long as that decision stays within the spirit of the VAT Act, the VAT Rules, and this Directive. It's a safety valve to keep things moving without waiting for a legislative amendment.

Old Directive Repealed

This Directive replaces the previous version. Here is what the transition means in practice:

The Directive Relating to Implementation of Value Added Tax on Transportation Services, 2076, is hereby repealed.

Acts and actions done or taken under the Directive repealed pursuant to Sub-section (1) shall be deemed to have been done or taken under this Directive.

What's Gone

The Directive Relating to Implementation of Value Added Tax on Transportation Services, 2076 is no longer in force. The 2080 Directive is the operative document from the date of its approval by the Ministry.

What's Protected

Anything you did — registrations, filings, invoices, deposits — under the 2076 Directive remains valid. You don't need to redo past compliance work. Those acts and actions shall be deemed to have been done or taken under this Directive.

In simple terms: The 2076 rules are out; the 2080 rules are in. But everything you did under the old rules still counts — no retroactive disruption.

Quick-Reference Summary

A compact overview of the key rules under the Directive on Implementation of Value Added Tax on Transportation Services, 2080:

Topic	Rule at a Glance
Registration Threshold	Annual transaction exceeding NPR 50,00,000 → mandatory VAT registration. Below threshold → voluntary, but Permanent Account Number (PAN) required.
Late-Crossing Deadline	If you unexpectedly cross NPR 50,00,000, register within 30 days of the date it was exceeded.
Hire/Lease Scenario	Vehicle owner earning over NPR 50,00,000 from hire must register. Person hiring the vehicle must also register if their own transactions cross the threshold.
Invoice Issuance	From head office (or branch, if established). Electronic invoicing and on-vehicle invoice booklets permitted with office approval. Vehicle number mandatory on invoice.
Import VAT Treatment	VAT applies on transport from Nepal customs point to importer's place of business.
Export VAT Treatment	VAT does NOT apply on transport from exporter's place of business to customs point.
Unregistered / Foreign Transporter	Hirer must self-assess VAT and deposit with concerned office within 25 days of month-end.
Recovery of VAT Deposited	Claim as input tax credit (if VAT-registered) or as deductible expense (if dealing in non-VAT goods/services).
Filing Frequency	Up to NPR 1 crore annual turnover → four-monthly returns. Above NPR 1 crore → monthly returns.
Grey Areas	Inland Revenue Department may take necessary decisions, consistent with the Act, Rules, and this Directive.
Previous Directive	2076 Directive repealed. Past actions under 2076 remain valid under 2080.

Contact us

Disclaimer: This presentation is provided as a general informational guide only and should not be treated as legal or tax advice. It summarizes the Directive on Implementation of Value Added Tax on Transportation Services, 2080, issued by the Government of Nepal, Ministry of Finance, but your obligations may differ depending on your specific circumstances.

For guidance tailored to your business, we invite you to consult **AP & Associates, Nepal**.

FCA Anil Paudel, Partner
A.P. & Associates, Chartered Accountants
Kandevata Than, Kupandol, Lalitpur, Kathmandu Valley, Nepal

Board: +977 (1) 4102740 | **Cell phone:** +977 9851170987
Email ID: anil@apna.com.np
Website: www.apna.com.np

General information only — please consult AP & Associates for advice on your specific situation.