

## Briefing Note

### Computerized Billing Procedure 2014 (2071)

Inland Revenue Department (the "**Department**") has issued the "Procedure related to Computerized Invoicing 2072 (2015)" (the "**Procedures**"). The Procedures have become effective from 15 May 2015. Any billing software to be used by the tax payer in Nepal (the "**Billing Software**") is subject to-(i) prior-certification from the Department (the "**Certification Requirement**"), and (ii) specific approval from the concerned Tax Office for the use (the "**Use Approval**"). While the obligation of the Certification Requirement is on the part of the developer of the Billing Software, obligation to obtain the Use Approval is on the user of such Billing Software. If such requirements are not satisfied, electronic/computerized invoice will not be valid. August 14, 2015 is the timeline within which the existing user of the Billing Software is required to obtain approval from the concerned Tax Office.

#### **What are the obligations of the developer of the Billing Software?**

Following are the key obligations applicable to the developer of the billing software:

- Secure the certification of the Billing Software from the Department. The Certification Requirement is a one-time process and does not require any further approval unless some changes are brought in the software
- Obtain approval from the Department for the sale the software.
- Provide the information of the purchaser of the Billing Software along with the income statement of every fiscal year and make such information readily available when asked by the Department and concerned tax offices.

#### **What are the obligations of the user of the Billing Software?**

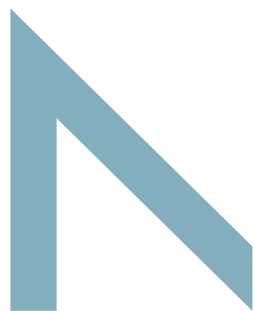
Following are the key obligations applicable to the user of the Billing Software:

- Obtain prior approval from the concerned tax office for the use of the Billing Software. In case of the approval obtained for the Billing Software prior to the commencement of the Procedures, the Use Approval will need to be re-secured by 14 August, 2015.
- Issue electronic/computerized invoice only and not to issue invoice by any other means.

#### **Is any specific approval from the Department required for sale of the certified Billing Software?**

Yes. Pursuant to the Procedures, any person who desires to sell the Billing Software is required to submit an application for the approval from the Department (the "**Sale Approval**"). The information and documents required to be furnished for the Sale Approval are as follows:

- General Information of the Seller
- Information of the Contact Person of the Seller
- Information of the Developer
- Information about the Server
- Number of Terminals/Computer/Teller
- Documents:
  - Copy of PAN Registration
  - Copy of Certificate of Incorporation of the Company or Firm
  - Copy of Certificate of Software Certification



**Is there minimum standard prescribed for certification of the Billing Software?**

Yes, the Procedures have specified the minimum standards of the Billing Software. The Department will grant the certification only if the Billing Software in question satisfies the following minimum standards:

- The Software shall be based in Data Management System (DMS). Such DMS shall allow the processing of Query written in Structured Query Language.
- Deletion of data/statistics once coded in the database should not be possible.
- Provisions for the automatic recording of the works in Log Archive should be enabled. Log Archive shall be enabled to automatically record the works carried out in the database. Back up for the data encoded/entered in the database should have been provided in a way that such data could be recovered as and when necessary.
- Information as to the time, date, effectiveness of the data entered/coded in every log of database and also the identification of the user should be readily available.
- The database should be able to enter the invoice number on chronological order and also to generate a report so that the details of the invoices could be viewed or printed in table or materialized view as prescribe.
- The software should allow one time printing (not more than one time) of the invoices issued in a period of one financial year on chronological order. In case, for any reason, the invoices need to be reprinted, reprinted documents must contain a visible mark 'copy of original'. Such duplicate of the invoice should also clearly mention for how many times the original invoices has been printed. For e.g. if there are four 'copy of original' the 'copy of original' printed for the last time should indicate that the invoice has been printed 5 times.
- The format of the invoices shall be the same as provided in Value Added Tax Act, 1996 and Value Added Tax Regulation, 1997.
- If an invoices which has been already issued needs to be cancelled for any reason, arrangement for the cancellation by specifying the need could be provided. Software should allow the automatic update of such cancellation in the master book. The software should allow the user to view all the details as to the cancelled invoices and also for printing the same.
- The software should allow the viewing and printing of the tax invoices, purchase ledger and sales ledge Front-End Application in a prescribed format.
- Every user of the software should be a database user.
- The software should allow the view and printing of audit trail report/ activity log of every user as and when necessary.
- Deletion of the data entered/coded in the database should be restricted. If corrections need to be made in the data recorded in database such arrangement for the reflection of the correction should be in place.
- Software should allow the export and download of the tables, excels, XML in database through Front End Application.
- Software should allow the taxpayer to use and maintain the backup of database and log archive and recovery of the backups. The user manual of software should be in printed form and kept also kept in the form of 'Help' option in user interface.

**What are the procedures to be followed for obtaining certification of the Billing Software?**

The Department issues certification for the Billing Software on the basis of the application submitted by the developer of the Billing Software. In case where the software developer is foreign individual/entity, a local agent is required to be appointed to apply and obtain such certification on behalf of the foreign developer. The Billing Software developed prior to the commencement of the Procedures is required to have certification the certification by 14 August, 2015.



Following information and documents are required to be furnished to the Department along with the application:

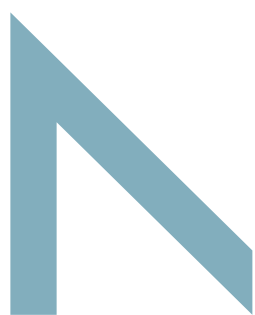
- General Information
  - Name of the Developer
  - Permanent Account Number (PAN)
  - Permanent and Temporary Address
  - Name of the CEO/ Managing Director
  - Email Address
  - Telephone Number
  - Mobile Number
- Software Information
  - Application Name
  - Application Version
  - Application Brief
  - Application Front End Technology
  - Application Back End Technology
- Documents Relating to Software
  - User Manual
  - Technique Used for the Modification of Data
  - Backup Recovery System
  - System Architecture Detail
  - Evidence that the Minimum Standards set in the Procedures are met.
- Other Necessary Documents
  - A Copy of PAN Registration
  - A Copy of Certificate of Incorporation of the Company or Firm
  - A Copy of the Software in a CD or DVD
  - Twenty set of Examples of Invoices in XLS (Excel) format

**What are the procedures to be followed for obtaining approval for the use of the Billing Software?**

The concerned tax office grants approval for the use of the Billing Software on the basis of the application submitted by the user of the Billing Software. Approval for the use of the Billing Software can only be obtained if such Billing Software has received certification from the Department.

Following information and documents are required to be furnished to the concerned tax office along with the application:

- Name of the Taxpayer
- Permanent Account Number (PAN)
- Temporary Address
- Phone/Mobile Number; Email
- Postal Address
- Name and Version of the Software
- Certification Number and Date



- Information of the Contact Person of the Taxpayer
- Information of the Software Developer
- Information of the Software Distributor
- Information of the Server (Name of the Server, Reason to have a Server and Place of Server)
- Terminals/Computer/Number of Teller
- A Copy of PAN Registration
- A Copy of Certificate of Incorporation of the Company
- A Copy of Certificate of Software Certification

**What will be the consequences of non-compliance?**

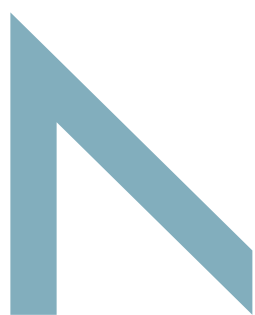
Any breach of the requirement under the Procedures may result in following legal sanctions:

- Imposition of fine of NPR 1000 (USD 10 approximately) for each instance of non-compliance
- Imposition of fine of NPR 500,000 (USD 5000 approximately) for the use of software which permit modification/deletion of the data and details of the issued invoices.

In addition to this, the tax authorities may not recognize the computerized invoices generated from the uncertified software. Non-recognition of the computerized invoices will subject the tax payer to substantial risks; for example, the tax authorities may disallow the claim of VAT credit based on such invoices.

If you require further information on the issues covered in this Briefing, please free to contact us:

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