

GOVERNANCE

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Political Parties in Nepal under Scrutiny for Tax Evasion!

WEEKLY

From the outside, Nepal's political parties may look like alliances of leaders and activists. But a party also operates as a full-fledged institution with its own employees, departments, and transactions such as salaries, utilities, and other administrative costs. Yet, as an institution, the parties in Nepal fail to meet the very tax obligations they expect citizens to follow.

A recent investigative feature by the [Nepal Investigative Multimedia Journalism Network \(NIMJIN\)](#), drawing on an external-audit report by the Office of the Auditor General, has revealed widespread financial irregularities and deliberate non-compliance among parties, including those in power. The findings point to systemic disregard for tax laws, weak financial systems, and a culture of impunity within party structures and governance.

The scale of party operations have always been striking. In FY 2023/24, CPN-UML [reported](#) an income of NPR 147.90 million and expenditure of NPR 78.73 million, making it the only political party running at a profit. Nepali Congress, CPN-Maoist Centre, and Rastriya Swatantra Party all reported losses, yet their financial turnovers still reached tens of millions.

According to NIMJIN, 62 political parties collectively owed NPR 1.36 billion in unpaid taxes in FY 2022/23. The audit, covering 103 parties during the election year, uncovered cases where parties failed to pay house rent tax, avoided advance taxes, and withheld the mandatory 1% social security tax deducted from staff salaries. CPN-UML, currently leading the government, owed NPR 1.83 million in house rent tax and NPR 47,842 in payroll tax. Nepali Congress had not deposited employees' income tax for seven consecutive years. Other implicated parties with similar cases included CPN-Maoist Centre, Rastriya Swatantra Party, Rastriya Prajatantra Party, Janata Samajwadi Party, and Janamat Party - all with national party status.

Alarming, in many cases taxes were deducted but never deposited, showing a clear sign of irregularity. Similarly, only one of the 103 parties had registered for a PAN, despite it being a mandatory requirement. The parties have also failed to reveal the sources of their income in the financial statements. While the Income Tax Act 2002 exempts political parties from certain taxes, it clearly requires payment for property or income-related dues, the provisions which the parties have routinely ignored.

Meanwhile, the negligence is not one-sided. The Election Commission never published the external-audit findings, raising questions about its willingness or ability to hold parties accountable. It raises questions on the oversight and transparency of the main institution tasked with supervising party activities. For the parties, this is not a matter of minor accounting errors, it is a systematic breach of public trust, committed by institutions that legislate and govern on behalf of the people. Unless these practices change, parties will keep eroding public trust and weakening the very democratic system they claim to protect.

POLICY WATCH

National Intelligence Bill: A threat to the right of privacy

A law related to espionage that could infringe the citizen's constitutional right to privacy is being prepared through the Bill on National Intelligence. The draft of the bill has provisions for intercepting conversations, audio-visuals, electronic signals and details of individuals and organizations. It is also against the Supreme Court's decision that restricts the executive body from uncontrolled access to personal information, and mandates the approval of the respective district court if required for criminal investigation.

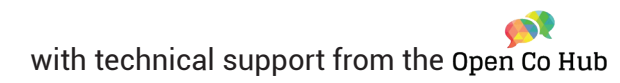
Similar provisions were previously proposed in the Special Services Act Bill 2076 during Prime Minister K P Sharma Oli's last tenure which faced strong opposition and passed only through the National Assembly. Experts recommend amending the draft to clearly define 'national security threats', mandate judicial oversight, and ensure protections against arbitrary surveillance before tabling it in the parliament. [Read More](#)

Governance Issues of the Week

- NRB introduces guidelines to reduce risk of FATF blacklist:** Nepal Rastra Bank (NRB) has introduced the Guidelines on Targeted Financial Sanctions for Payment Service Providers, mandating freezing assets, other financial resources and prohibition of making funds available to individuals and entities designated as terrorists by the United Nations Security Council (UNSC) or Nepal's Ministry of Home Affairs (MoHA). Nepal is under the Financial Action Task Force (FATF) grey list since February 2025 and has two years to reform its financial sector or risk being placed in the FATF blacklist. [Read More](#)
- Gandaki's administrative overhaul:** The Gandaki Province Government has restructured its administrative sector by cutting 185 posts, 9 offices, and reducing the total offices from 32 to 17, which is expected to save NPR 40–50 million annually in salaries. Permanent staff will, however, retain their jobs. The new Employee Transfer and Employment Standards, 2082 classifies offices into four categories, requiring employees to rotate across different types before repeating a location, with transfers allowed only after two years, aiming to prevent politically influenced postings and ensure fair staff rotation. [Read More](#)
- NEPSE AI, a Scam App erasing bank accounts:** NEPSE AI, an app which falsely claims to use artificial intelligence to ensure high returns from the stock exchange has been found to scam users, according to the Central Investigation Bureau. In a recent case, a user lost NPR 2.86 million within minutes of installing the app, which also wiped all data from their phone. The CIB urges people to enable two-factor authentication and download apps only from official sources. Victims are asked to immediately contact their bank, the Nepal Police Cyber Bureau, or relevant authorities. [Read More](#)
- Doctor migration and political influence in Nepal:** Nepal is facing a serious doctor migration crisis, with only around 300 of 2,600 annually graduating doctors remaining in the country, according to the Nepal Medical Association (2024) and a Ministry of Health study. Low pay, overwork, limited career growth, lack of research opportunities, and poor appraisal systems drive this migration. The resignation of Dr. Raamesh Koirala from Shahid Gangalal Heart Centre, after being denied a vice-chancellor post amid politically influenced appointments, underscores how party politics affect leadership positions in health institutions. [Read More](#)
- Nepal to recognize workers migrating to India as foreign employees:** The Ministry of Labour, Employment and Social Security's National Labour Migration Policy, 2082 now classifies Nepalese workers migrating to India as foreign employees, aiming to extend social security and welfare benefits through the Foreign Employment Board. Implementation may face challenges due to India's open border and informal migration practices. The government plans to enroll workers via local governments, requiring India-bound migrants to register at their local Employment Service Centres to access social security and protection. [Read More](#)

Nepal Governance Weekly is an analytical update of Nepal's current affairs based on media and real sources mining, to sensitize the communities on hot news on various governance issues from the perspective of accountability.

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