



Nepal Budget Highlights

Financial Year 2080/81

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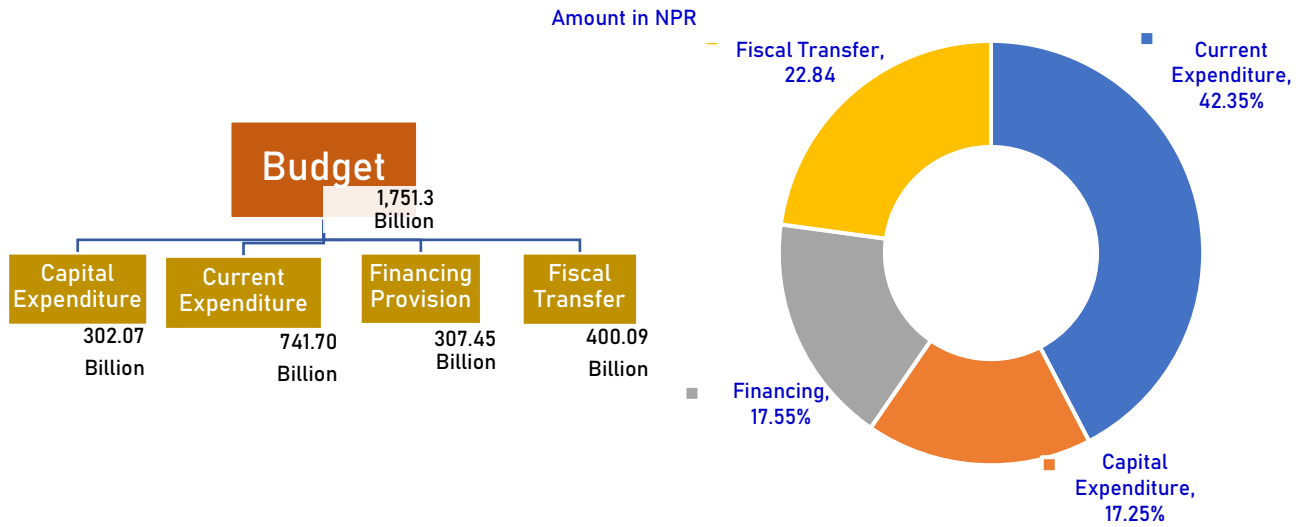
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Nepal Budget FY 2023/24 Budget Highlights

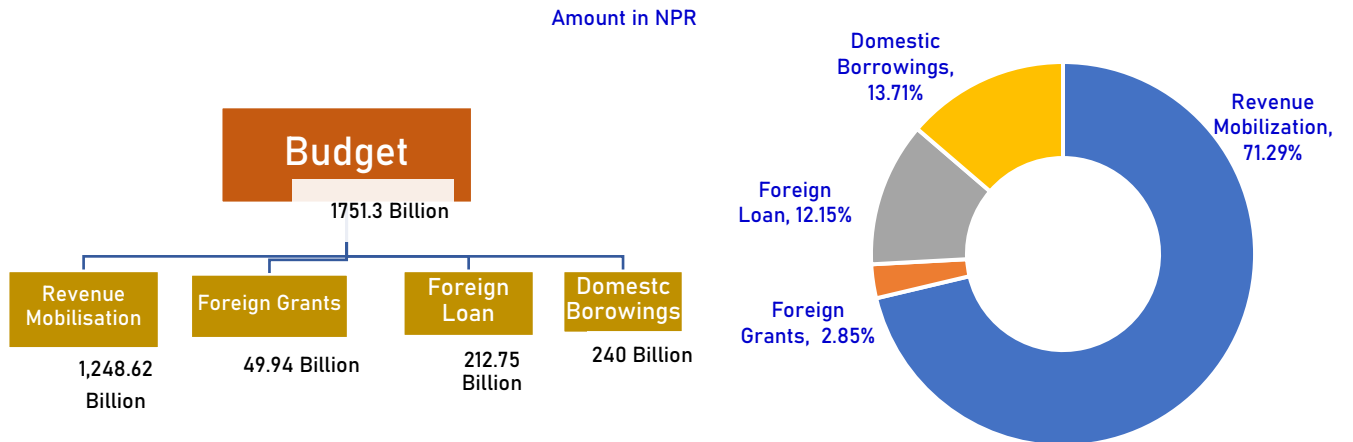
On Monday, 29 May 2023, Honorable Finance Minister Mr. Prakash Sharan Mahat presented the full budget for the fiscal year 2080/81 (2023/24). The allocation of resources, objectives, priorities, and significant policy statement of the budget is highlighted in this document.

1. Source and Allocation of Budget

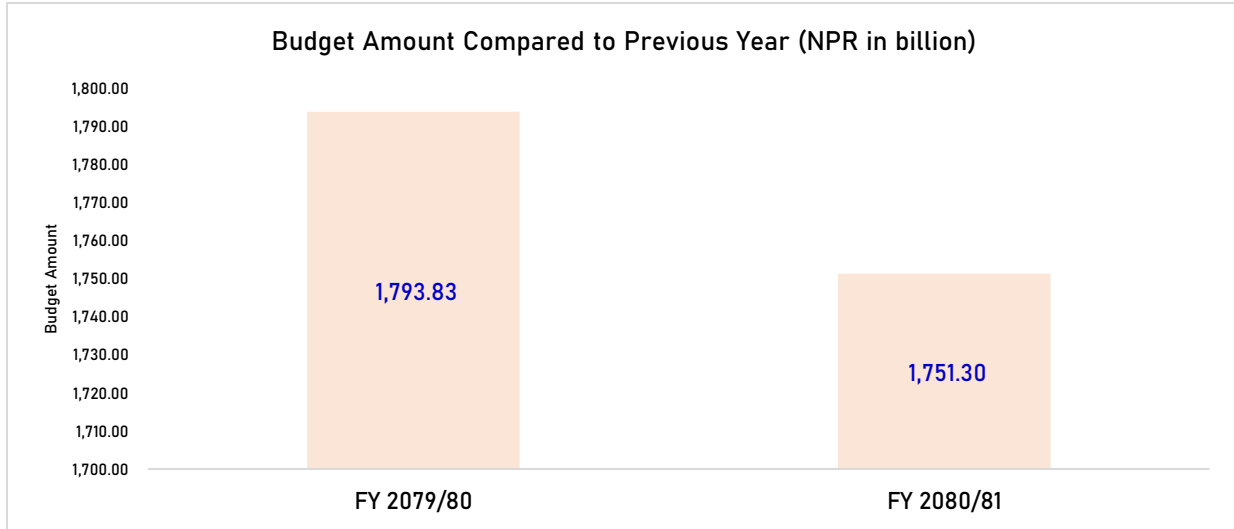
Allocation of Budget



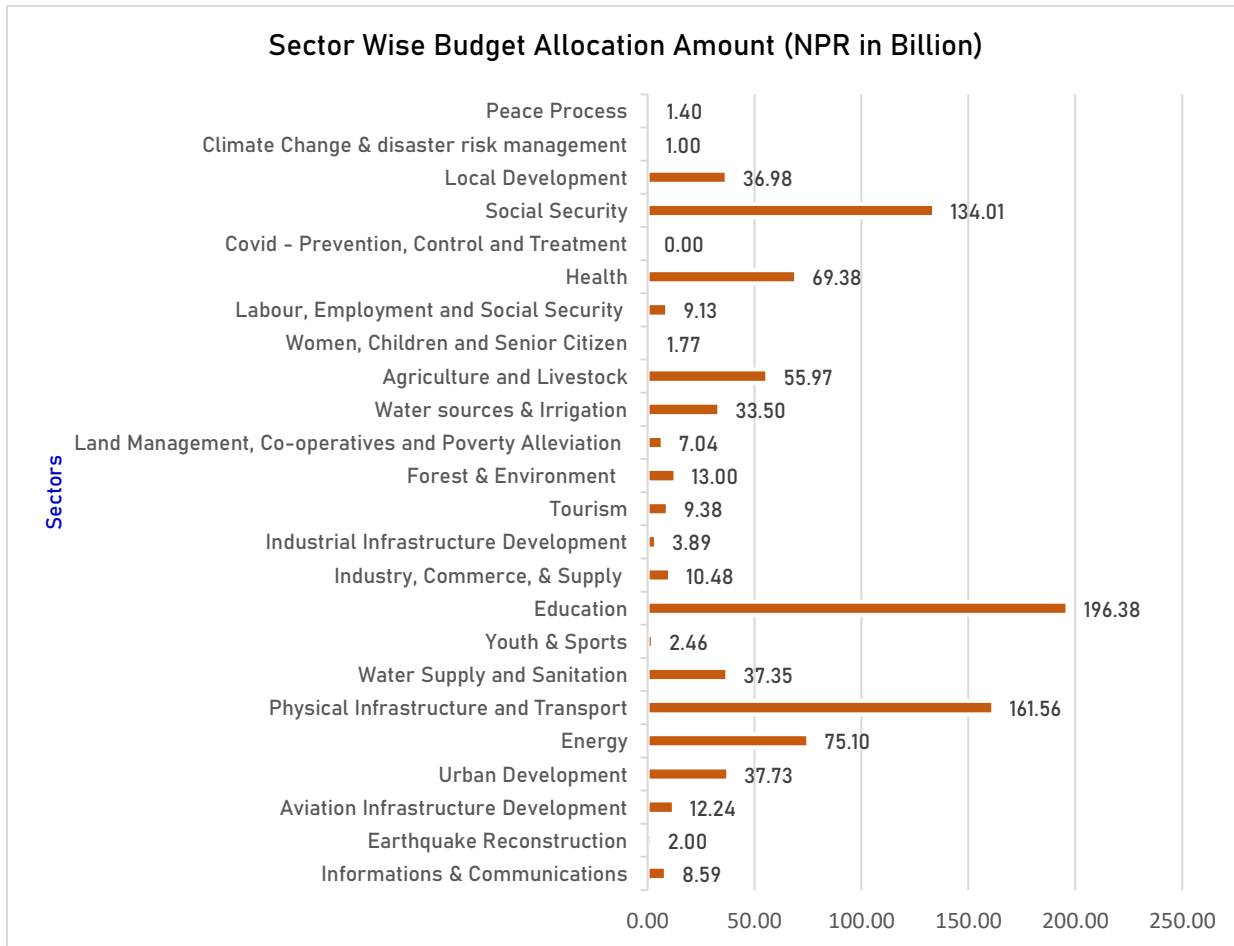
Source of Finance



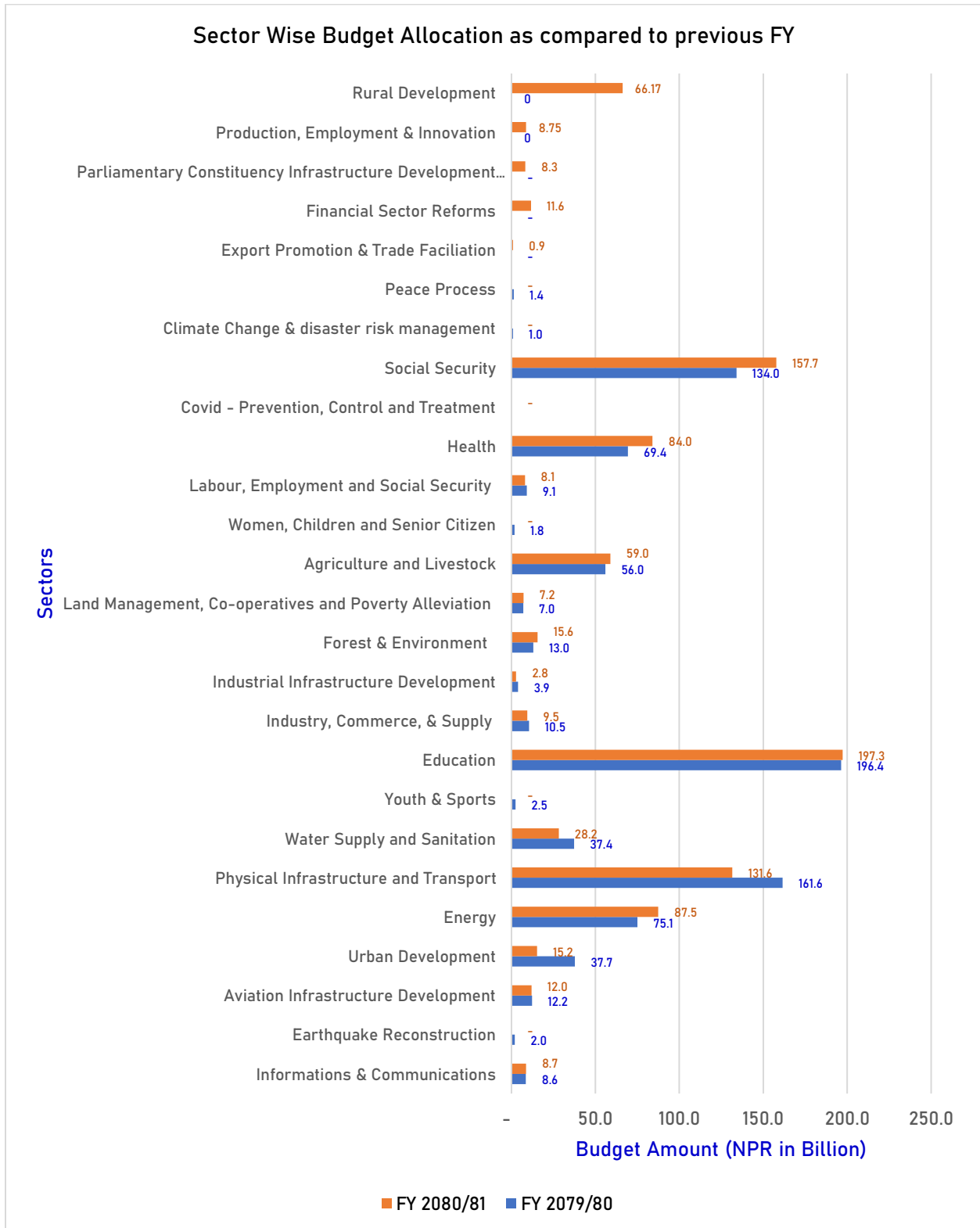
2. Budget Amount Comparison



3. Sector Wise Budget Allocation



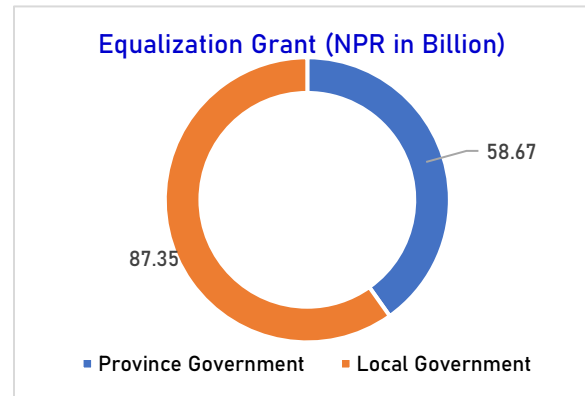
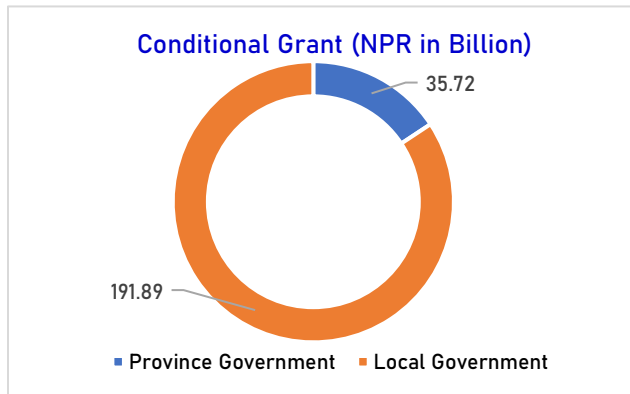
Sector wise Budget allocation as compared to previous Financial Year (NPR in billion)



4. Fiscal Transfer

NPR in Billion

Heading	Province Governments	Local Governments
Conditional Grant	35.72	191.89
Equalization Grant	58.67	87.35
Special Grant	4.46	8.73
Matching Grant	6.22	7.05
Total	105.07	295.02



5. Economic Growth Rate

- Expected Economic Growth Rate for FY 2080/81 is 2.16%

6. Objectives of Budget

- To achieve broad, sustainable and inclusive economic growth by making the economy dynamic.
- To ensure quality social development, security and justice.
- To raise the morale of the private sector by creating an investment-friendly environment and reducing poverty by creating income and employment opportunities.
- To maintain Macroeconomic stability.
- To facilitate federalism and maintain good governance.
- To Improve the effectiveness of public spending by reforming the budget system

7. Priority Areas

- Development of agriculture, energy and tourism sectors.
- Investment Promotion, Industrial Development and Trade Balance.
- Social Sector Development and Social Security.
- Construction of quality physical infrastructure.

- Promotion of digital and green economy
- Environmental Protection, Climate Change and Disaster Management.
- Human resource development and job creation.
- Financial sector reforms.
- Strengthening financial federalism and improving service delivery.
- Reforms in the public finance system.

8. Budget Highlights

- a. No registration fee or charge to be levied on registration of a new company and for increase the capital of a company. Minimum requirement of Authorized Capital to incorporate a new company to be made to NPR 100.
- b. Arrangement to be made to ensure that all types of revenue can be paid with QR codes.
- c. No raise in employees' salary; the recommendations of Salary Commission to be implemented gradually.
- d. 20 government agencies that are non-operational to be scrapped; public utilities to be operated in company model; strategic partners to be invited in problematic public utilities.
- e. NPR 1 billion for innovation, invention and research. A minimum of 1% of total Capital Budget to be allocated to promote innovation, invention and research.
- f. Feasibility study to be carried out regarding cultivation of marijuana for medicinal purpose.
- g. Land plotting halted for the last few years to be allowed
- h. A center to be established to facilitate the export of processed mineral water from the Himalayan region of Nepal branding it as "Water from the Himalayas"
- i. Arrangements to be made for the export of stones and gravel, without hampering the environment.
- j. The Civil Aviation Authority of Nepal (CAAN) to be unbundled to establish regulatory and service agencies
- k. Development of startup ecosystem. NPR 1.25 billion allocated to promote innovative and entrepreneurial startup.
- l. Service related to Registration of Industry, approval of investment to be provided by One Stop Service Center through electronic medium.
- m. Limit to be removed for foreign investment in Information Technology sector t.
- n. All types of incentives and additional allowances provided to government employees to be curtailed.
- o. National portal suitable to investors to be established with information related to investment sectors, opportunities, legal and policy management, encouragement policies, provisions relating to recovery of investment and its procedures.

- p. NPR 30 billion allocated to subsidize chemical fertilizers.
- q. Allocation of NPR 95 crore for agricultural insurance of more than 2 lakhs farmers.
- r. Mobilize private investment (domestic and foreign investment) in infrastructure projects. Legal arrangement regarding establishment of "Infrastructure Fund" will be made.
- s. To promote sugarcane farming, allocation of NPR 80 crore towards production and promotion of sugarcane farming.
- t. To attract youth manpower in agriculture and livestock business and develop entrepreneurship in collaboration with local level, NPR 1.20 billion allocated for establishment of youth startup grant of.
- u. Plantation of 3 crore plants in coordination with Province Governments.
- v. Simara Special Economic Zone to be brought in operation after completion of remaining work. Bhairahawa Special Economic Zone to be operated in its full capacity. Construction of Panchkhal Special Economic Zone to be completed.
- w. Pathlaiya, Simara, Gandak to Birgunj corridor to be developed as Bara-Parsa industrial corridor. An arrangement to be made for gradual relocation of liquor and tobacco industries to industrial corridors or industrial areas.
- x. 2023 A.D. - 2032 A.D. to be celebrated as Tourism Decade. Target to increase foreign tourists visiting Nepal in 2023 A.D. to 10 lakhs.
- y. To promote domestic tourism, inter province airlines services to be promoted.
- z. To celebrate Fiscal Year 2080/81 as Youth Entrepreneurship Promotion Year.
- aa. To implement digital Nepal framework. To increase access and use of Nagarik App. Establishment of Information Technology Information Park in Khumaltar, Lalitpur.
- bb. One local level one post office to be implemented. Other post office to be scrapped. Postal Saving Bank to be cancelled and such accounts to be transferred to A class Government Banks.
- cc. To extend the reach of financial services in urban settlements, small market centers, etc. financial transaction through new technologies such as online banking, mobile banking and electronic payment system to be promoted. Arrangement to be made for easy financing to small farmers, domestic and small entrepreneurs and start-up businessmen.
- dd. Restructuring of Government Banks.
- ee. To include the foreign employees who remit money through authorized medium in Social Security Fund.
- ff. To motivate insurance companies to operate branches in rural and underdeveloped areas. To conduct insurance literacy in collaboration with Nepal Insurance Authority and local government s in rural and underdeveloped areas.
- gg. To bring into operation the Commodities exchange market and SMEs Platform.
- hh. To bring "Nagarik Pension Yojana" among all the self-employed Nepalis in collaboration with Citizen Investment Trust.

- ii. The labeling of importer and distributors shall be made compulsory in the the packaging of imported goods after Shrawan 01, 2080.
- jj. Arrangements have been made for one time registration of mobile phone that have been used in Nepal till Jestha 15, 2080 but not registered with related authorities by payment of lump sum fee as prescribed.

9. Amendments in Tax

Indirect Tax

- a. Amendments in the list of goods/services exempted from value added tax shall be done in due course by abolishing excise duty on one third of the items that are subject to excise duty under self-release system.
- b. Frequency of filing VAT return shall be revised from every month to every four months for those taxpayers who are registered under value added tax and have annual turnover up to NPR 1 crore.
- c. Change in customs tariff of some of the raw materials to reduce the custom tariff of industrial raw materials imported by the industry by at least on level than that of finished goods.
- d. An arrangement shall be made to refund the VAT and Excise Duty paid on the purchase of raw materials by the industries that produce and export goods exempted from VAT and excise duty.
- e. 170 tax exempted goods/services under VAT and 340 tax exempted goods/services under Excise has been removed form the exemption list.
- f. In order to protect the domestic production of industrial goods in which country is self-sufficient, import duty on some goods has been increased. In addition to it, to promote the production of domestic industries, the agreement will not be made to exempt the import duties of goods that are sufficiently available in the country required for the projects agreements to be signed after the 1st of Shrawan, 2080.
Arrangements have been made to allow the domestic industry to sell such items to the project by giving exemptions from VAT and excise duty.
- g. For the protection and promotion of micro, domestic and small-scale industries, customs duty shall be levied at the rate of 1% only on the mills/machinery imported by such industries for their production purpose only.

Direct Tax

- a. Tax evasion through transfer pricing, tax base erosion, profit transfer and income division will be controlled.
- b. Income Tax rates has been increased to 39% for natural persons with an annual income exceeding NPR 50 lakhs for income exceeding 50 lakhs.

Tax Rebates

- a. 50% rebate on applicable tax rate has been provided to persons generating foreign currency by exporting services such as Business process outsourcing, software programming, cloud computing etc.
- b. Waiver has been provided to non-residents providing electronic services in Nepal in respect of the interest, fine and penalty leviable over VAT Payable till Jestha 15, 2080 if they file VAT Returns till Asadh 25, 2080.
- c. Special Provision Relating to Waiver of Interest and Fee on applicable tax on issuance of Bonus Shares on account of premium amount collected on Further Public Offering of shares

Particulars	Charge
Applicability	Issuance of Bonus Shares on account of premium amount collected from on Further Public Offering of Shares till FY 2078/79
Condition for availing the waiver benefit	Deposit of applicable tax on dividend distribution (i.e., through issuance of bonus shares)
Due Date for Deposit to avail the waiver benefit	End of Mangsir 2080
Waived Amount	Applicable Fees and Interest on account of delay deposit of the applicable dividend tax

- d. Special Provision Relating to Waiver of Interest and Fees on Bargain Purchase Gain on Merger or Acquisition

Particulars	Charge
Applicability	Entities having bargain purchase gain on merger or acquisition, however not shown in total income for income tax purpose till FY 2078/79
Condition for availing the waiver benefit	Deposit of applicable tax on bargain purchase gain (on merger and acquisition of entities)
Due Date for Deposit to avail the waiver benefit	End of Mangsir 2080
Waived Amount	Applicable Fees and Interest on account of delay deposit of the applicable tax on bargain purchase gain

- e. Special Provision Relating to Tax Rebate of Media House Business

Particulars	Charge
Applicability	Entities engaged in business of media house operating the business as per its objectives

Applicable FY	FY 2079/80
Tax Rebate	25% rebate on applicable tax

f. Special Provision Relating to Tax Exemption in Business Transaction of Securities, land or Land & Building/Real Estate

Particulars	Charge
Applicability	To natural person who is regularly engaged in business of securities; land and real estate and has not paid applicable tax and not filed Income Tax Return
Condition for Special Rebate	50% of Applicable tax should be deposited from FY 2076/77 to FY 2078/79 and income tax return should be filed
Due Date for Tax Rebate	Chaitra end 2080
Tax Rebate	50% of Applicable tax of FYs earlier than of FY 2076/77 Applicable interest and fees on such income tax of natural person of all FYs.

Tax Administration

General

- a. A high-level committee will be formed to reform the existing tax system.
- b. In order to integrate and use the information of economic transactions, the interconnectivity between various institutional information system will be ensured and automated.
- c. In order to reduce the time and cost involved in international trade, Nepal National Single Door System will be extended to all related agencies and its sustainability will be ensured.
- d. In order to create favorable environment for domestic and foreign investment, adoption of investment friendly tax policy shall be made and to make revenue mobilization effective, the existing tax exemption facilities shall be reviewed based on their impact.
- e. Arrangement of providing tax clearance certificate with QR code on automated basis.
- f. The e-assessment system will be introduced for detailed tax assessment in line with the international practice.
- g. While taking no objection certificate to study abroad through an educational consultant and sending foreign currency through bank to a foreign university, arrangements will be made requiring applicant to mention the Permanent Account Number (PAN) of the relevant educational consultancy institution.

- h. For renewal of certificate of the person involved in any profession, the provision of mandatory submission of PAN and Tax Clearance Certificate to the relevant regulatory body will be implemented effectively.
- i. Effective implementation of requirement for all the government agencies of the federal, province and local government to obtain PAN and submit the details of withholding tax through electronic means, will be ensured. An automatic system of tax withholding and filing at the time of government payment will be developed and implemented.
- j. Integration between Integrated tax system operated by the Inland Revenue Department for tax administration, Asycuda system used by the Customs Department and transportation monitoring system used by the revenue investigation department shall be made by the end of Poush 2080 for exchange of information and effective control over revenue leakage.

Indirect Tax

- a. Arrangement shall be made for issuing the computerized invoices through central billing software for the taxpayers having annual transactions above NPR 25 Crores.
- b. In order to create an industrial and business environment in the country and to facilitate the trade, new Customs Act and Customs Tariff Act will be formulated and implemented in a manner that aspects regarding imposing customs duty, setting the basis for determining tariffs, fixing or changing customs duty rates is transparent, predictable and compatible with international best practices,
- c. The customs check pass system will be made simple and transparent by arranging for electronic submission of all types of documents to be submitted to Customs.
- d. In order to simplify the system of VAT refund to be received by diplomatic missions and make it simplified and effective, an automatic system of VAT refund to the bank account will be arranged through green channel.
- e. The customs check pass system will be made simple and transparent by arranging for electronic submission of all types of documents to be submitted to Customs.

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