



# NEPAL BUDGET HIGHLIGHTS

**FINANCIAL YEAR 2020-21**



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# Objectives

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- 1. Ensuring safe and comfortable lifestyle of citizens by safeguarding health of citizens from communicable as well as all types of diseases along with disasters*
- 2. Continue the speed of development by ensuring rapid economic revival through maximum operational use of available means, opportunities and capacity to*
- 3. Enhancing the role of public welfare of the state through fulfillment of fundamental rights of citizen*
- 4. Continue formation of elevated, advanced, independent, prosperous, and socialism= oriented economy through social, financial and physical infrastructure development*

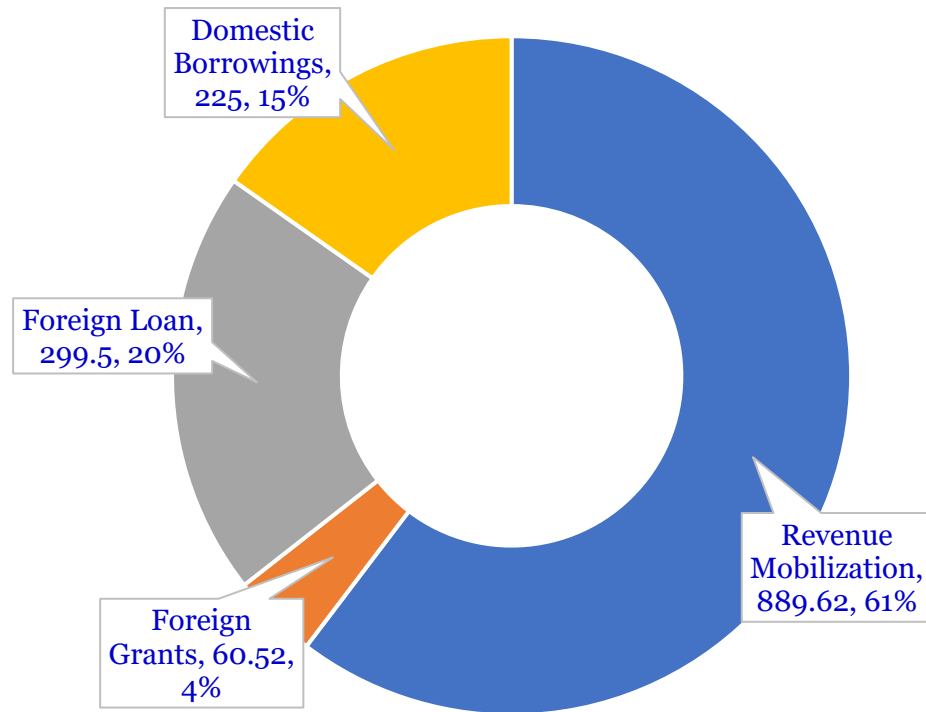
Growth Target- 7%

Inflation Rate: 6.5%

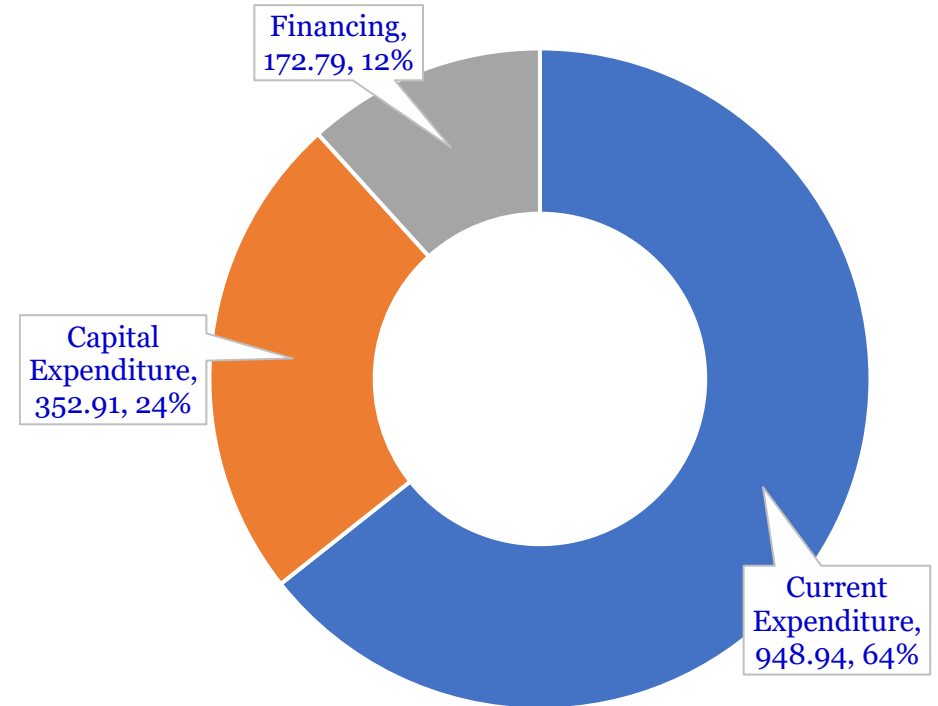


# Source of Finance and Allocation of Budget

**Source of Finance** (NPR in billion)

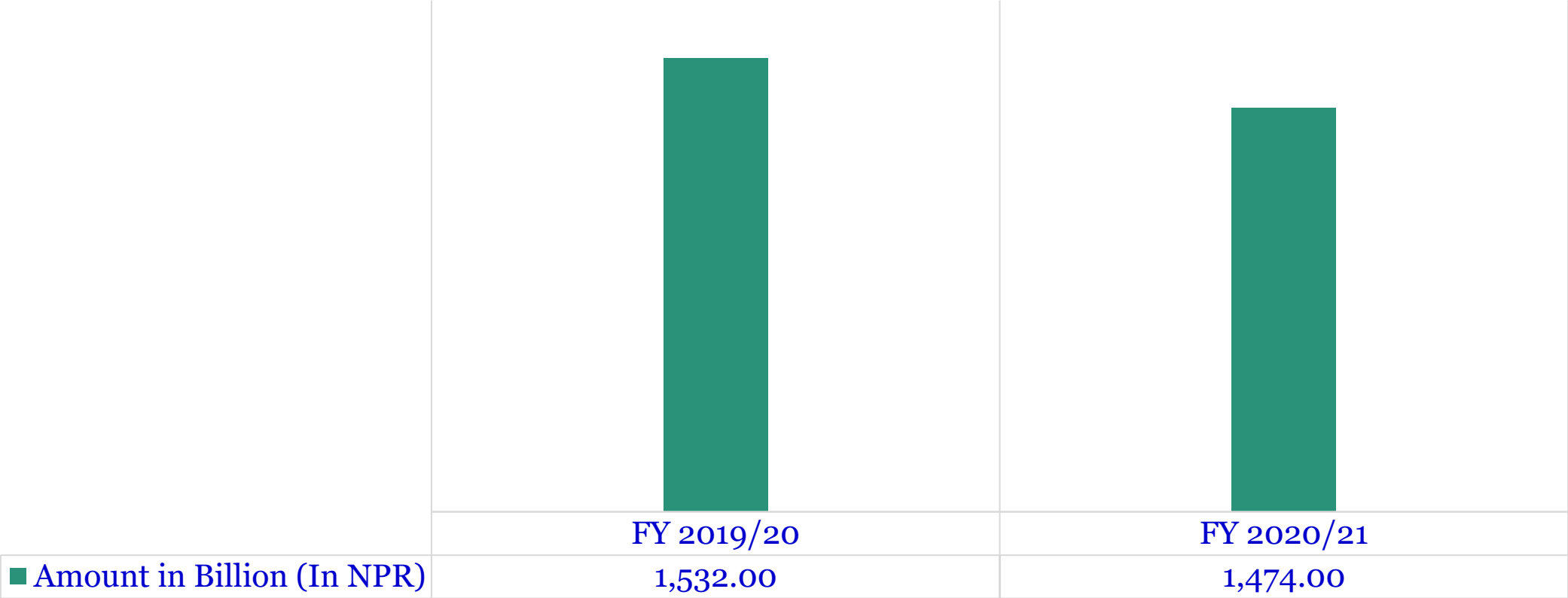


**Allocation of Budget** (NPR in billion)



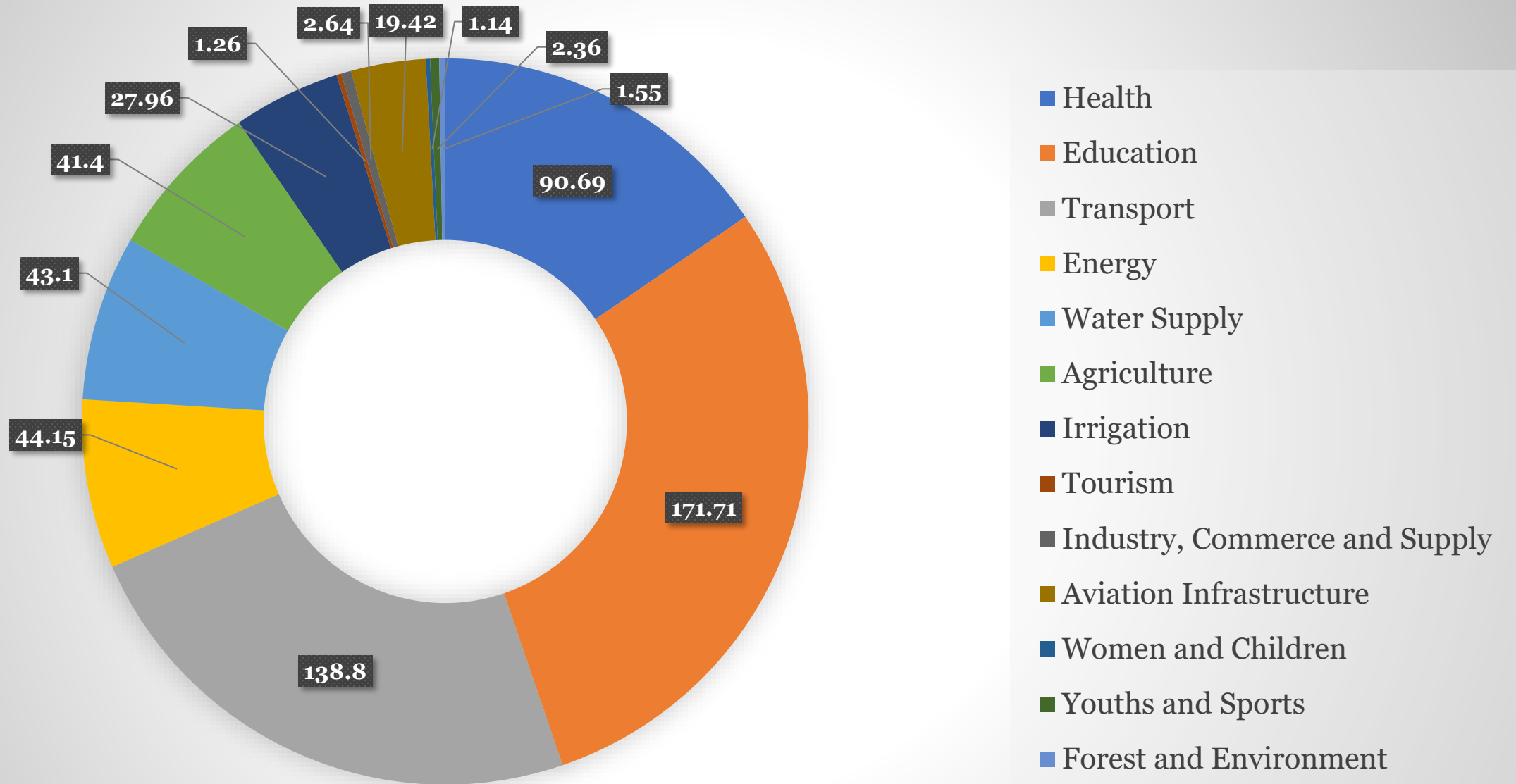
# Budget Amount Comparison

## Budget Amount Compared to Previous Year *(NPR in billion)*



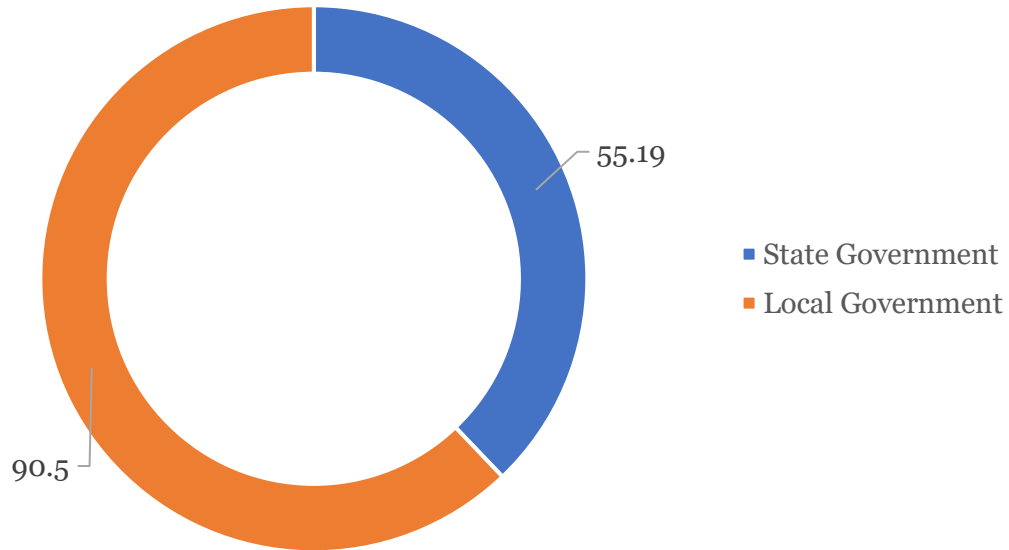
Decrease of 3.93% in Budget Amount as compared to Previous Year.

# Sector-wise Budget Allocation (NPR in billion)

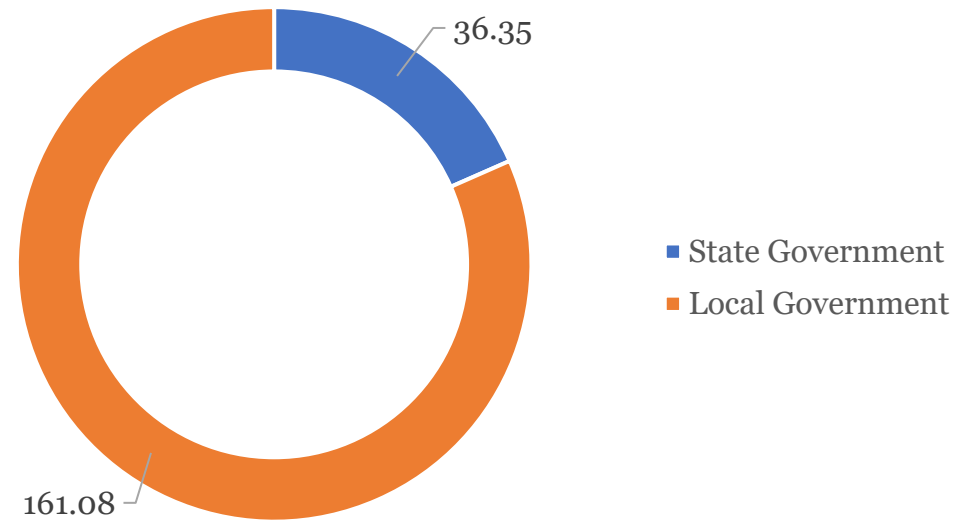


# Fiscal Transfer *(NPR in billion)*

Direct Grant (NPR in Billion)



Conditional Grant (NPR in Billion)



*NPR in billion*

Heading	State Governments	Local Governments
Direct Grant	55.19	90.5
Conditional Grant	36.35	161.08
Special Grant	19.93	
Distribution of Revenue	122.14	
<b>Total</b>	<b>485.19</b>	

# Budget Highlights

## Priority Areas

- ❑ Extend and promote quality health services via development of health infrastructure including skilled manpower with a vision of protecting citizens from Corona and all other related health issues
- ❑ Resurrection of sectors like agriculture , industries, tourism, construction and other affected industries by restating the production and supply chain broken by the measures taken for prevention and control of corona virus
- ❑ Create job opportunities and ensure provision of food security , safe residence , social security and protection to people
- ❑ Implement the development projects which can be completed within next year and will result into immediate economic benefits
- ❑ Development and construction of Social, Economic and Physical infrastructures in different areas including Drinking Water Facilities, Quality Education and Information and Communication Technology
- ❑ Implement federalism & reinforce quality and accessible public service as well as strengthening the transparent and accountable governance system



# Budget Highlights

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1. Substantial Increment in Budget in Health Sector to fight the Covid-19 pandemic as well as to increase public health infrastructure (increase by around 32 %)
2. Target of creating around 700,000 new employment opportunities through various initiatives including Prime Minister's Employment Scheme, Concessional Loan, Micro Credit Institutions, Provision of Technical Education and implementation of Employment Information Centre
3. Provision of separate fund of NPR 50 billion to provide loan at 5% to Cottage, Micro and Small Industries as well as Tourism Industries affected by Covid-19 for labor payment as well as for business operation.
4. Refinance Fund at NRB to be increased to NPR 100 billion to provide refinance facility to banks to provide loan at maximum 5% interest rate to Industries affected by Covid 19 including Cottage, Micro and Small Industries, Agriculture, manufacturing industries, Hotel and Tourism Industries
5. Fund of NPR 500 million set aside to provide seed fund at 2% to startup businesses.

# Budget Highlights

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6. Social Security Contribution of the lockdown period (both employer and employee) of employees registered in SSF will be borne by the Government. Entity may take advance, to be repaid after normalization of situation, against such contribution for labor payment.
7. Provision of rebate in electricity charge to users with limited usage. Also, Waiver of demand charge to industries during lockdown period and rebate of 50% on charge of electricity used in the time when usage is low.
8. NPR 1 lakh of corona insurance will be provided to temporary and permanent government staff as well healthworkers.
9. Waiver of Parking Fee, Infrastructure tax on aviation fuel and other renewal fees to Nepalese Airlines companies.
10. 50% of premium amount on Group Corona insurance will be borne/subsidized by the government
11. All post-earthquake reconstruction will be completed in coming year

# Budget Highlights

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12. Digitization and cashless economy will be encouraged
13. Requirement to obtain Work Permit to work in Nepal to be implemented strictly.
14. Coverage of Concessional loan to be increased by requiring Banks and FIs to be required to provide at least 10 concessional loan per branch of Commercial Bank and 5 loan per branch of Development Bank
15. Secondary market transactions for Debt instrument will be started
16. Cooperative Credit Information Centre will be set up and provision will be made for insurance of deposit and credit of Cooperatives.
17. Tax Rebates provided to business of aviation services, transportation services, hotel services and travel and trekking services highly affected by Covid-19 as well as Micro and Small Scale Industries

## Budget Highlights

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14. One Stop Service Centre operated with the objective of facilitating private investment to be automated.
15. Country Credit Rating to be completed within 6 months.

# Budget Highlights

## Indirect Tax

1. Provision to exempt additional tax, interest and penalties to any VAT registered entity who has not filed VAT return until FY 2074/75, provided VAT liability, VAT returns and 50% of interest amount is paid and VAT returns are filed by the end of Falgun 2077.
2. Waiver on VAT on import of raw materials by Pharmaceutical industries, whereas provision for refund of VAT on local purchase of raw materials has been made.
3. Excise on PPE as well as ethanol to be used as raw material for production of sanitizer has been waived.
4. Tourism, Transport and Film House businesses has been provided facility to file VAT once in every 4 months
5. Custom duty on import of raw materials for Ayurvedic Medicine has been reduced.
6. 15% Forest Yield Charge applicable on sale by Community Forest has been removed.

# Budget Highlights

## Indirect Tax

7. VAT on micro-insurance has been removed.
8. Removal of compulsory registration for Waste Management, Legal Services and Tailoring Services,
9. Increase in custom duties on petroleum products except Air Fuel and L.P. Gas as well as Gold and Gold ornaments
10. Excise Duty has been levied on import of furniture with a view to promote domestic furniture industries.
11. Custom duty has been reduced on import of machinery and raw material by micro and small industries, agriculture, veterinary and industries involved in producing masks as well as agricultural equipment to be imported by agro farms and companies. Custom duty has been reduced on import of rice, wheat, maize and vegetable seed whereas custom duty and agriculture improvement tax levied on import of primary agro products has been increased.

# Budget Highlights

## Direct Tax

1. Special income tax concession (75%, 50% and 25%) is provided to micro and small businesses affected by Covid-19 based on the basis of turnover of business. Such concession will be available to industries with turnover up to NPR 10 million.
2. 20% rebate has been provided to business of aviation services, transportation services, hotel services and travel and trekking services highly affected by Covid-19
3. 25% rebate for 5 years from date of operation is provided to special industry established in industrial area and industrial village
4. Tax exemption provided to Drinking Water Users' And Sanitation Committees who are operating as per their objectives. Tax assessed till FY 2075/76 has also been waived.
5. Income tax is exempted to cooperatives operating in rural municipality. Applicable income tax rate for cooperatives operating at Municipality, sub metropolitan & Metropolitan has been made 5%, 7% and 10% respectively

# Budget Highlights

## Direct Tax

6. Applicable tax on retirement payment has been waived upon transfer of fund from approved retirement funds to social security fund by Chaitra end, 2077.
7. Withholding tax will not be applicable on incentives provided to customers for the promotion of electronic payments.
8. Any contribution to national level, province level or local level fund for precaution prevention and medication of coronavirus can be claimed as deductible expenses while computing taxable income for income year 2076/77.
9. Payment up to NPR 3,000 on account of wages of one-off nature made to the natural person without having Permanent Account Number (PAN) can be claimed as deductible expenses while computing income from business and investment for the fiscal year 2076/77
10. Purchase of Agro items, forest items, animal products and any other domestic goods from natural person not involved in business and expenses up to NPR 2,000 per invoice without PAN can be claimed as deductible expenses while computing income from business and investment for the fiscal year 2076/77.



# Budget Highlights

## Tax Administration

1. Arrangement will be made for small taxpayers with annual turnover up to NPR 20 lakhs to file their income tax return and deposit tax amount through electronic medium including mobile apps.
2. Arrangement will be made to enable taxpayer not having due to obtain tax clearance certificate through automated system.
3. If the legal cases (except false and fake invoices) pending till Asadh 2075, under Income Tax Act 2058, Value Added Tax, 2052 and Excise Duty Act 2058 pending with Inland Revenue Department, Revenue Tribunal and Courts, are withdrawn and tax liability and interest thereon are paid within Falgun end 2077, fee, additional fee and penalties shall be waived off.
4. Tax-payer information portal will be integrated by improving and ensuring inter-relation among all IT systems including Central Invoice Monitoring System, ASYCUDA and VCTS
5. Effectiveness of detailed tax assessment, investigation and custom checks will be improved to control tax avoidance.

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