



Nepal Budget Highlights

Financial Year 2079/80

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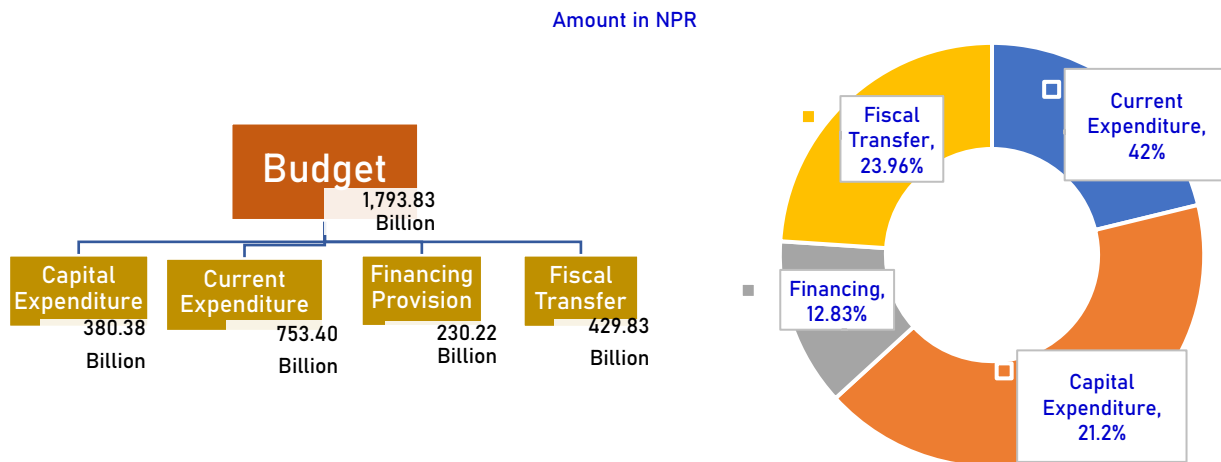
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Nepal Budget FY 2022/23 Budget Highlights

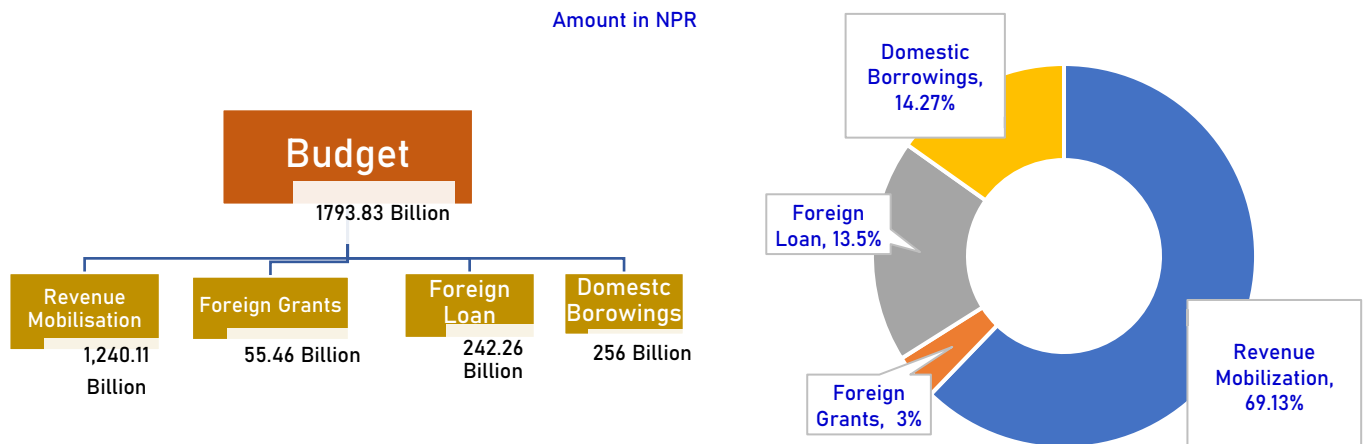
On Sunday, 29 May 2022, Honorable Finance Minister Mr. Janardan Sharma presented the full budget for the fiscal year 2079/80 (2022/23). The allocation of resources, objectives, priorities, and significant policy statement of the budget is highlighted in this document.

1. Source and Allocation of Budget

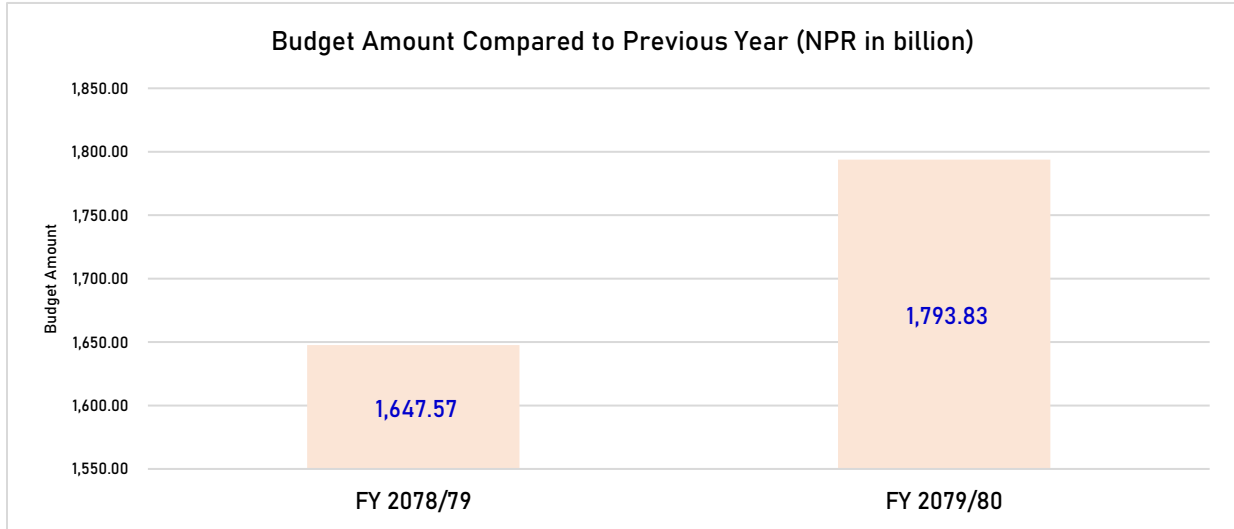
Allocation of Budget



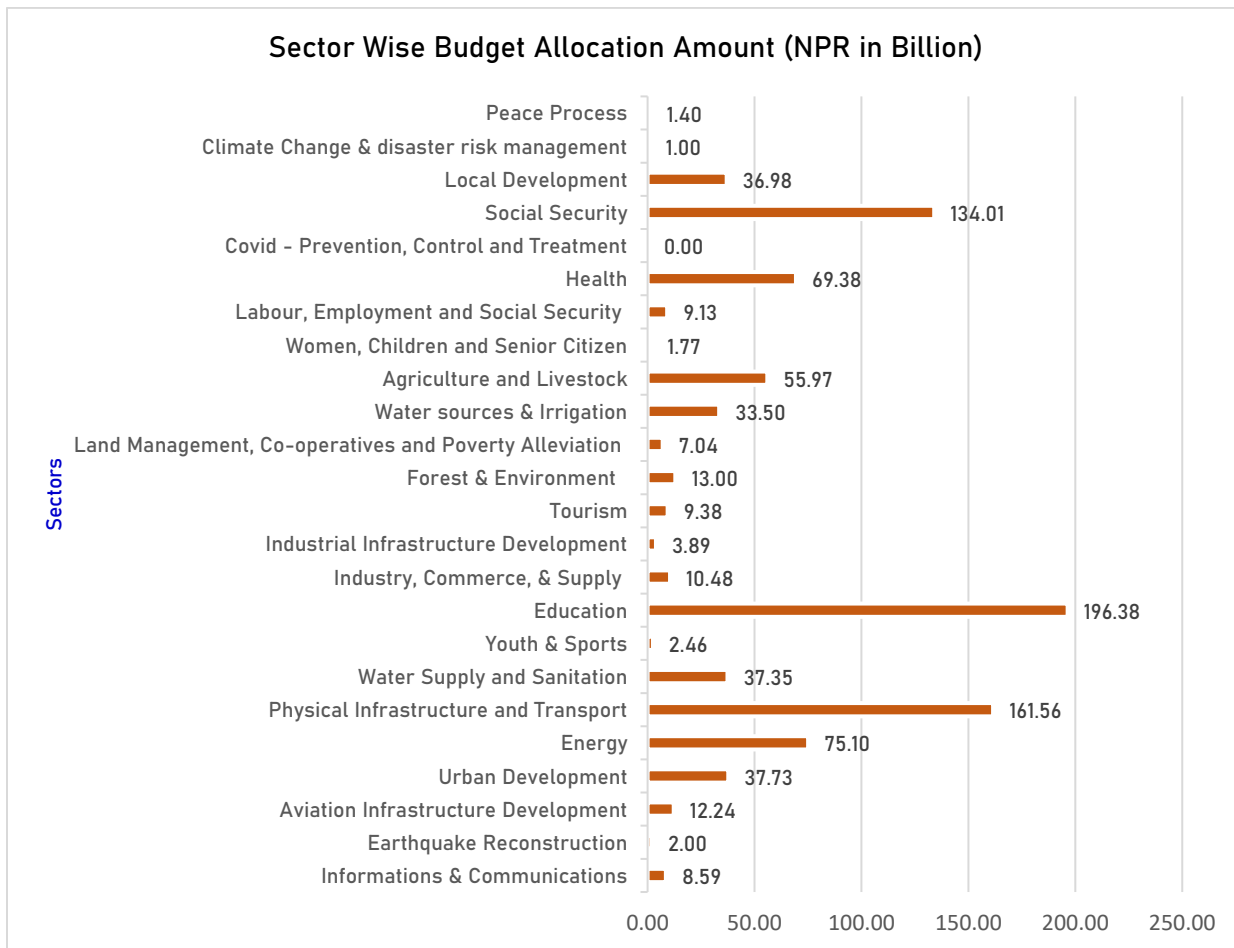
Source of Finance



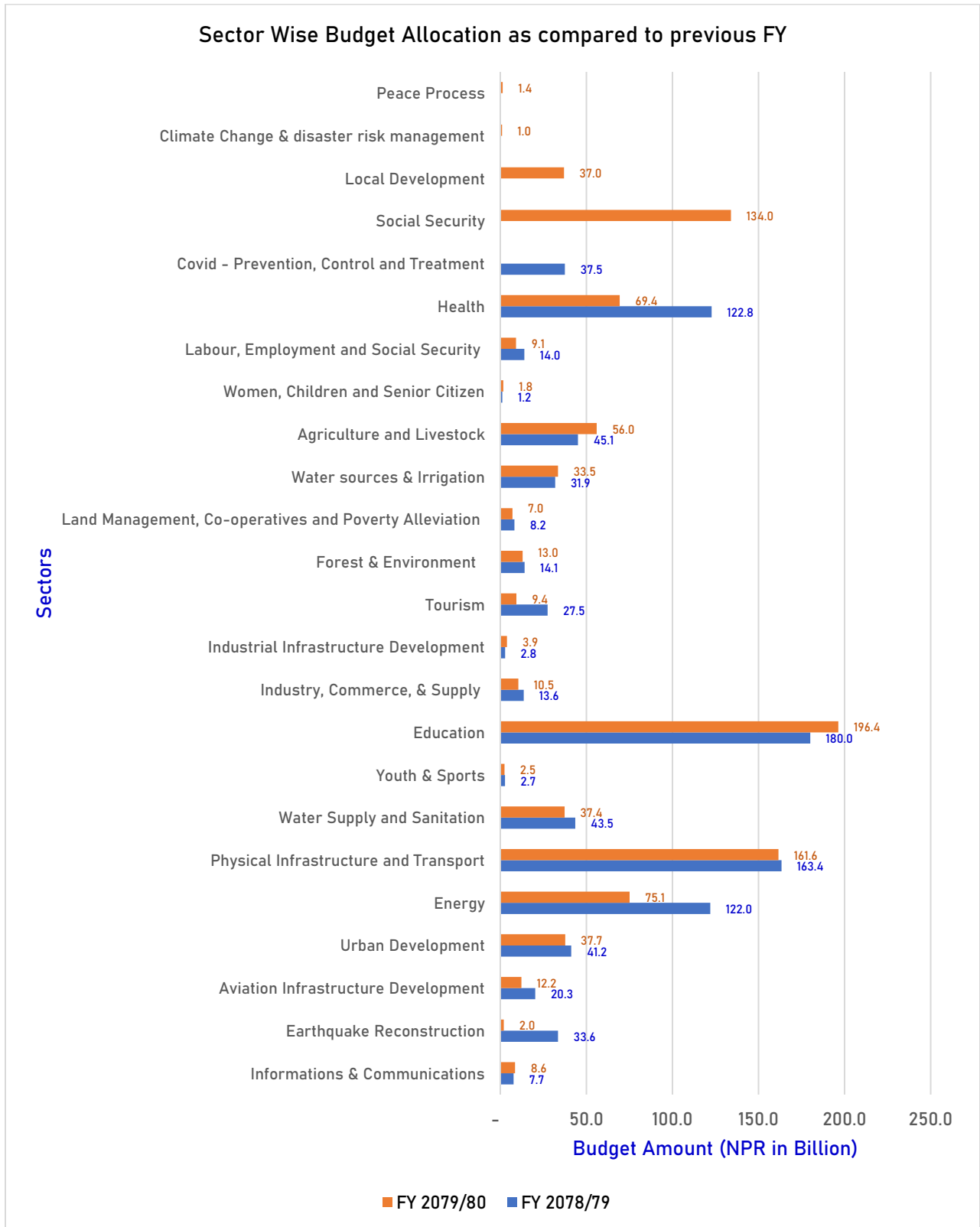
2. Budget Amount Comparison



3. Sector Wise Budget Allocation



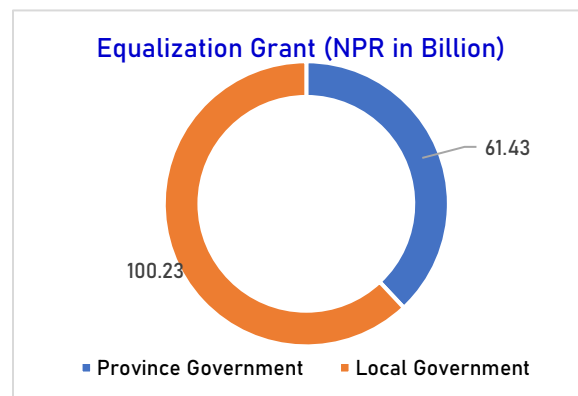
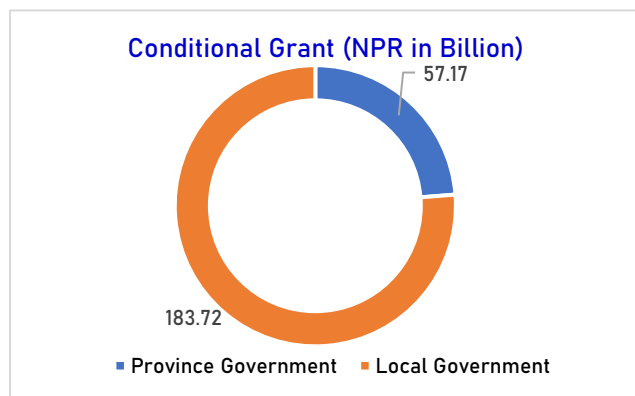
Sector wise Budget allocation as compared to previous Financial Year (NPR in billion)



4. Fiscal Transfer

NPR in Billion

Heading	Province Governments	Local Governments
Conditional Grant	57.17	183.72
Equalization Grant	61.43	100.23
Special Grant	4.56	9.14
Matching Grant	6.3	7.27
Total	129.46	300.36



5. Objectives of Budget

- To achieve high and sustainable economic growth by building a production-based economy.
- To create employment and alleviate poverty through integrated mobilization of available natural resources, manpower, capital and technology.
- To maintain financial discipline and to maintain macroeconomic stability by keeping inflation within prescribed limits
- To establish federalism as a vehicle of prosperity by transferring resources at the province and local levels.
- To build the base of balanced, inclusive, self-reliant and socialism-oriented economy through economic and social transformation.

6. Priority Areas

- Transformation of the agricultural sector
- Increase productivity, job creation and poverty alleviation in collaboration with government, private and cooperative sectors.
- Local economic development based on innovation
- Human Resource Development
- Infrastructure development and capital formation

- Hydropower generation, transmission line expansion and rural electrification
- Industrial development, investment promotion and revival of tourism sector
- Environmental Protection, Disaster Management and Risk Reduction of Climate Change
- Effective public service and promotion of good governance and periodic elections
- Scientific research and development.

7. Budget Highlights

1. Health and education sectors to be prioritized to increase human development index by 0.65 %.
2. NPR 10 billion to be allocated for the agriculture promotion program.
3. Government to focus on production and agriculture to decrease imports by 20 %.
4. Minimize the imports of grains: rice, maize and wheat by 30% and establish 100 food warehouses across the country
5. A Farmers' Welfare Fund to be established for providing pensions to farmers for which Government will provide the 10 percent of total contribution by farmers. NPR 1 billion allocated as seed money for this purpose.
6. An additional grant of NPR 50 million to be provided to best three local governments of every province that works for the transformation of agriculture.
7. NPR 260 million to be allocated for operating business incubation centers in all seven provinces.
8. Program to be launched to bring 1 million tourists in the FY 2079/80.
9. Adequate budget to be allocated for the construction of petroleum pipelines along the Amlekhgunj-Lothar (Chitwan), Siliguri-Charaali (Jhapa).
10. Bhairahawa and Simara special economic zones to be brought into operation and construction of Panchkhal special economic zone to be completed within FY 2078/79.
11. Reduction of minimum threshold for Foreign Direct Investment injection from NPR 50 million to NPR 20 million.
12. Arrangement to be made for approval of foreign investment up to NPR 100 million through automated system. If large investors request for FDI approval electronically, arrangements will be made to provide preliminary approval within seven days so that pre-preparation work can be done. Arrangement will be made to complete the remaining process related to investment approval and operation of industry within 6 months.
13. Eligible age for old age allowance has been lowered to 68 years from 70 years
14. Provision to be made for extension of licenses of Covid-19 affected hydropower projects by up to 2 years.
15. Salary of government employees increased by 15%

16. Arrangement to be made to allow only registered companies/entities to operate the real estate business. In metropolitan and sub-metropolitan cities, such arrangement will be enforced from FY 2079/80.
17. An integrated real estate valuation system based on geographical information system will be developed and arrangements will be made to make the same valuation system mandatory for all stakeholders.
18. Subsidy to be provided to organizations producing tools to be used by differently abled people.
19. Arrangements to be made for investment by Non-Resident Nepalese in secondary stock market. 10 percent reservation in IPO will be made for Nepalese working abroad.
20. National identity cards to be provided to all Nepalese within two years, 2 million Nepalese to get national ID card within this FY.
21. The Government targets to reduce recurrent expenditure by 15 percent. New vehicles not to be purchased for government offices for the next fiscal year.
22. Venture capital to be promoted and challenge fund to be established for promotion of manufacturing industries.
23. Provision to be introduced requiring insurance companies to invest defined percent of their investment in infrastructure development projects.
24. Review of land Ceiling to be carried out in respect of lands required for establishment of industry.
25. Arrangement to be made to fix minimum support price of specialized agriculture and live-stock products specified by the local level.
26. In order to develop young entrepreneurship and promote innovation, the program of providing start-up capital will be continued and the impact of this program will be evaluated and improved. Arrangements will be made to provide project-based loan. In such businesses, capital management will be done through venture capital and study and research will be encouraged.
27. Arrangement will be made requiring large and medium enterprises to support startups.
28. Arrangement will be made to allow Nepalese construction companies to involve in construction business abroad.
29. 50% discount on the fee or fee for renewal of passport, consular service and renewal of work permit to the Nepali citizens working abroad sending remittances through formal channels.
30. Arrangement of levying 100% additional registration fee shall be made to persons purchasing more than a house/apartment on purchase of additional house/apartment.
31. Following provision/arrangement regarding obtaining Permanent Account Number (PAN) shall be made introduced and implemented:

- ❖ Provisions will be made requiring all government bodies at the Federal, Province and Local levels to obtain PAN and submit the details of withholding tax through electronic means.
- ❖ Provision will be made for providing PAN to all Nepalese citizen at the time of providing citizenship and national identity card.
- ❖ Provision shall be made requiring minor citizens involved in any business/investment based on birth registration or minor identity card and parent's identity card.
- ❖ Provision shall be made requiring submission of PAN and Tax Clearance Certificate at the time of renewal of labour Permit and VISA of foreign nationals.
- ❖ Mandatory arrangement shall be made requiring professionals to submit PAN and Tax Clearance Certificate at the time of renewal of profession certificate.
- ❖ Arrangement shall be made requiring to submit PAN at the time of purchasing four-wheeler vehicle.

8. Amendments in Tax

Indirect Tax

1. Modifications made in the customs duty on raw materials imported by manufacturing industries in line with the policy of reducing the customs duty on manufactured goods by at least one level. In addition, to discourage the import of luxury goods, rates of import duty including customs duty and excise duty in luxury goods has been increased.
2. Exemption of 50% and 25% in excise duty and custom duty respectively shall be provided on the import of spare parts or raw materials required for the production of vehicles to the industry established in Nepal for manufacturing or assembling four wheelers on recommendation of Department of Industry.
3. Only 1% customs duty shall be levied on the raw materials or spare parts used by the industries producing electric rickshaws and electric motorcycles or scooters.
4. 90% exemption shall be provided on prevailing customs duty on the import of sanitary pads. Furthermore, arrangement shall be made to ensure that only 1 percent customs duty will be levied on the import of raw material required for the industry producing sanitary pads in Nepal.
5. 100% exemption of custom duty shall be provided to local governments on the import of an agricultural ambulance or transport vehicles for transporting/marketing agricultural products.
Similarly, 50% rebate of custom duty shall be provided on the import of one unit of transport vehicle to be purchased by the Agricultural Cooperative for the transportation of agricultural products.
6. 75% rebate of custom duty shall be provided on the import of maximum 2 school buses to be purchased by community schools.

7. On recommendation of Department of Industry, arrangement has been made to provide 100% exemption in custom duty on required raw material used by the industry producing accessories for person with disabilities.
8. 100% exemption on custom duty shall be provided on urine bags used by differently abled persons.

Direct Tax

1. Arrangements shall be made to bring businesses engaging in economic activities in Nepal using electronic networks from outside Nepal under the scope of income tax.
2. Limit of income tax exemption provided to natural persons and couples by the Income-Tax Act, 2058 increased to NPR 5 lakhs and NPR 6 Lakhs respectively.
3. Limit for deduction of insurance premium for income tax purposes increased to NPR 40,000 from NPR 25,000.
4. 40% income tax exemption to be provided for 5 years from the date of commencement of business to a new industry established to manufacture or assemble four-wheeler electric vehicles.
5. Tax shall be levied @ 1% to person earning foreign exchange by providing software, electronic services, business process outsourcing, or similar IT based services outside Nepal.
6. Tax shall be withheld @ of 1.5% on royalty for literary works.

Tax Rebates

1. Rebate of 75% and 50% income tax shall be provided to taxpayers with an annual turnover of up to NPR 30 Lakhs and an annual turnover of more than NPR 30 Lakhs and up to NPR 1 crore respectively.
2. Rebate of 50% on income tax shall be provided on the business taxable income of FY 2078/79 to industries of tourism sector such as hotel, travel, trekking, cinema business which were most affected by the epidemic of Covid-19.
3. 100% tax exemption shall be provided to the agricultural tools factory for 5 years from the date of commencement of business.
4. 100% income tax exemption shall be provided for 15 years from the date of commencement of business to Special Industry established in the hilly districts of Karnali and Far Western Province providing direct employment to more than 100 Nepalese citizen.

Tax Administration

1. Fiscal Year 2079/80 will be celebrated as the market monitoring year in order to control revenue leakage through intensive and effective monitoring and to increase tax participation.

2. Details relating to business operators will be updated in biometric system to discourage tendency to tax evasion by registering business in the name of other persons.
3. In coordination with the Nepal Oil Corporation, arrangement will be made to require petrol pumps to issue electronic invoices on real time basis.
4. Services including vehicle scanning will be started in the major customs offices using non-interfering inspection equipment.
5. A system will be developed within FY 2079/80 in which all types of taxpayers who have paid their tax returns by submitting their income tax return will be able to print their own tax clearance certificate.

Further Consultation, Please Contact:

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