



Nepal Budget Highlights

Financial Year 2078/79

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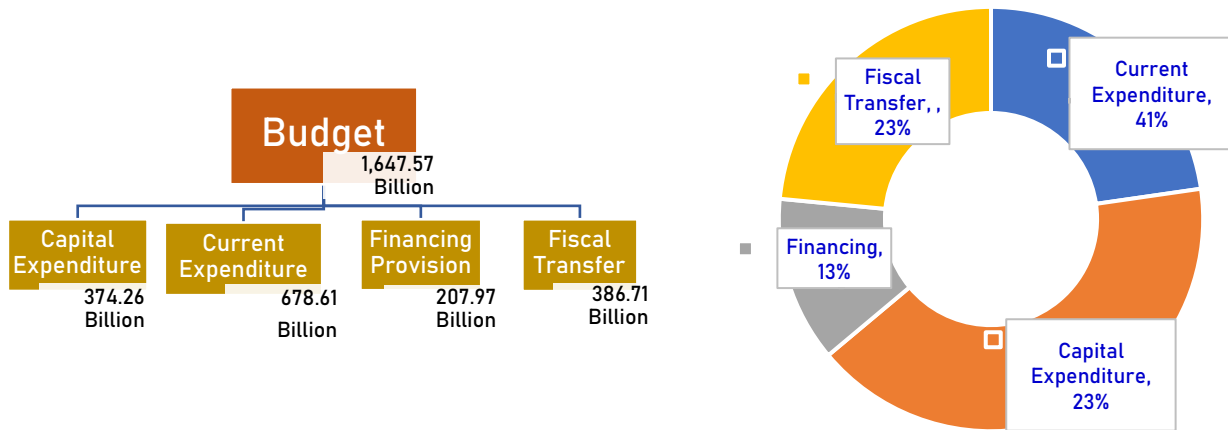
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Nepal Budget-FY 2021/22 Highlights

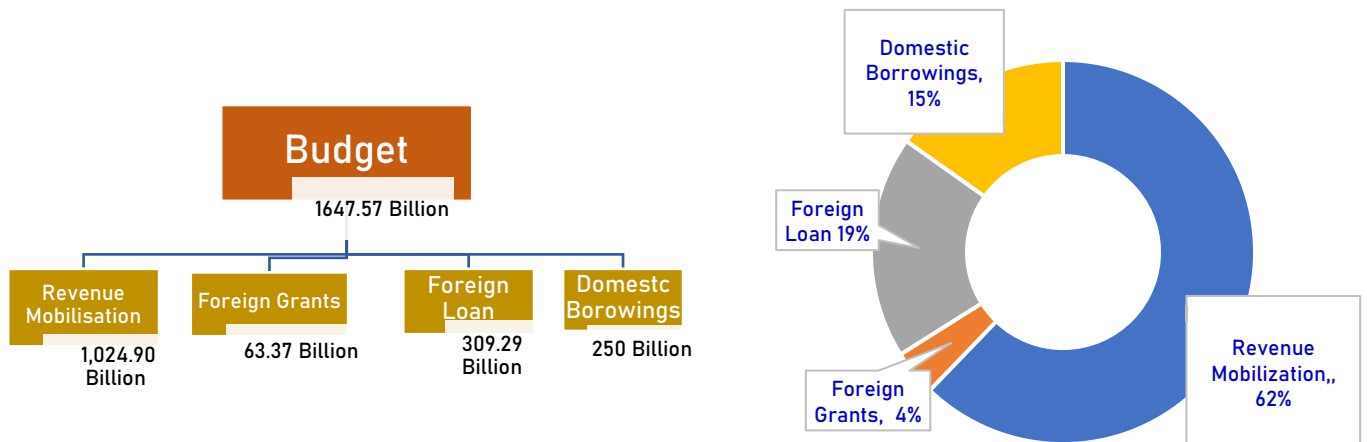
On Saturday, 29 May 2021, Honorable Finance Minister Mr. Bishnu Prasad Poudel presented the full budget for the fiscal year 2078/79 (2021/22). The allocation of resources, objectives, priorities, and significant policy statement of the budget is highlighted in this document.

1. Source and Allocation of Budget

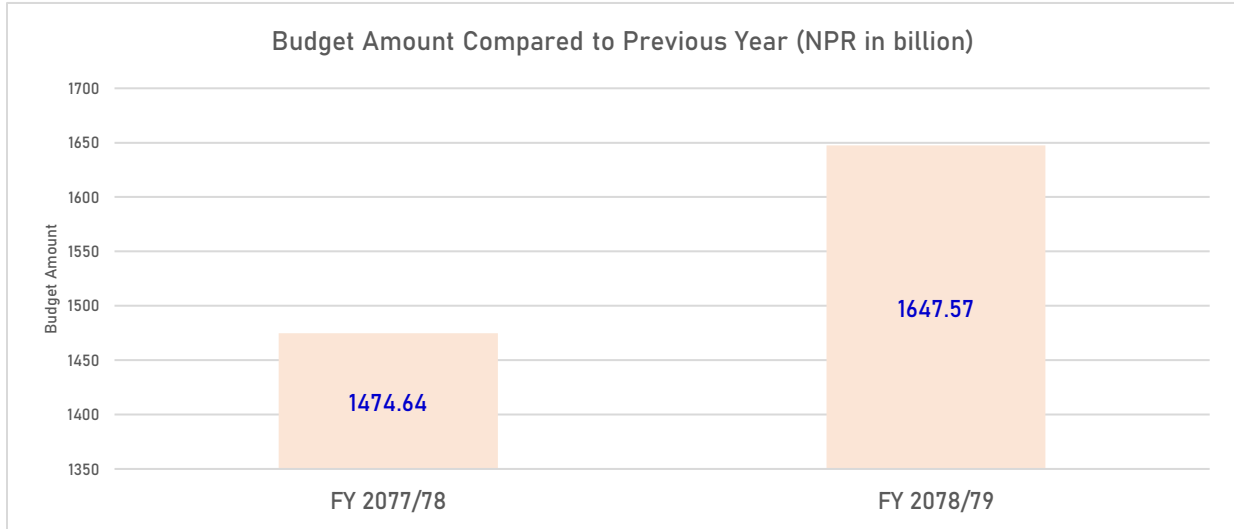
Allocation of Budget (NPR)



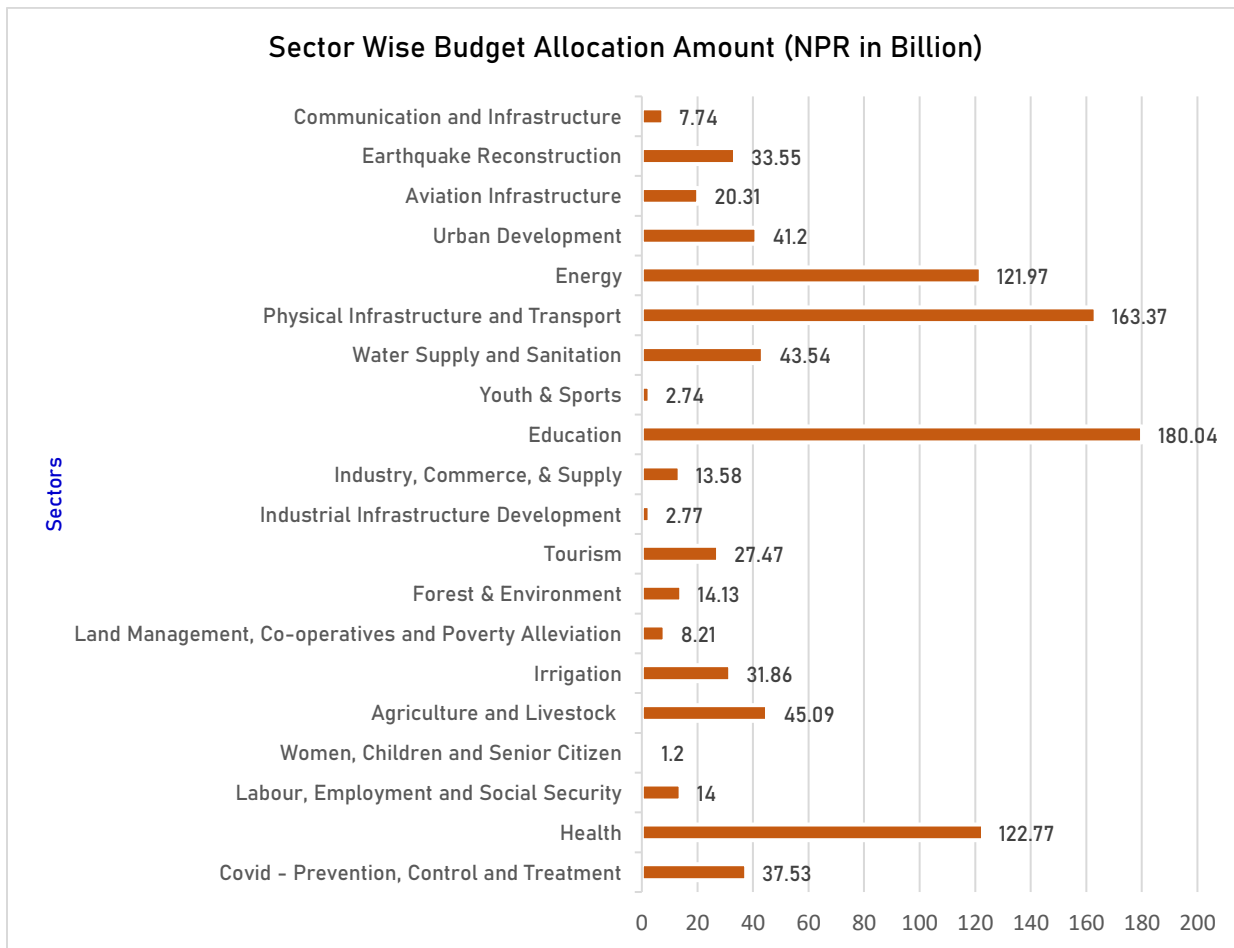
Source of Finance (NPR)



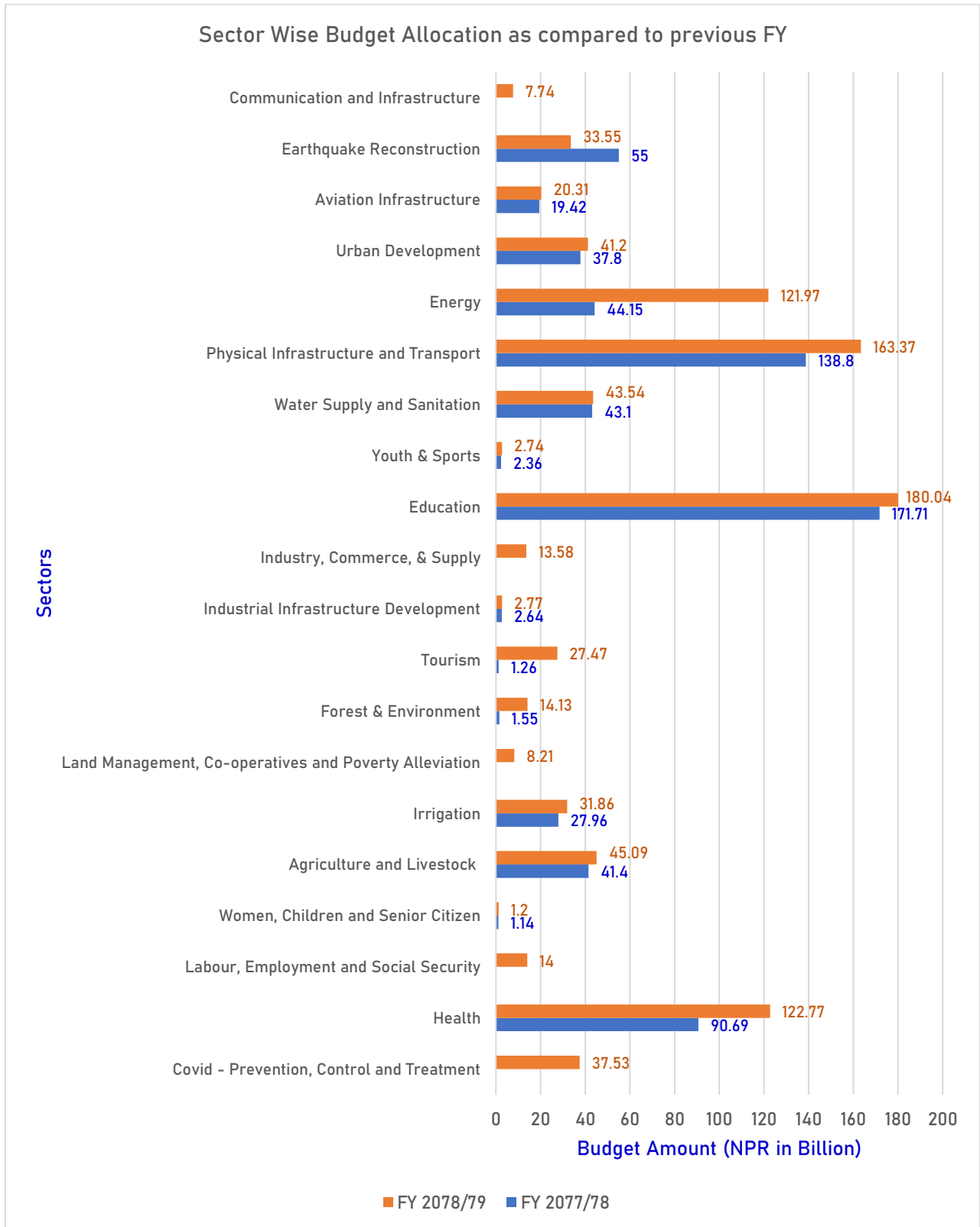
2. Budget Amount Comparison



3. Sector Wise Budget Allocation



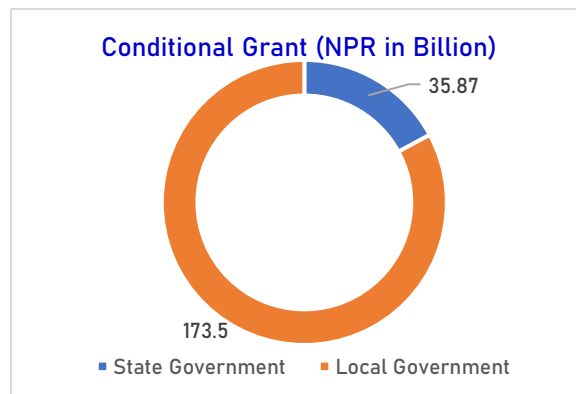
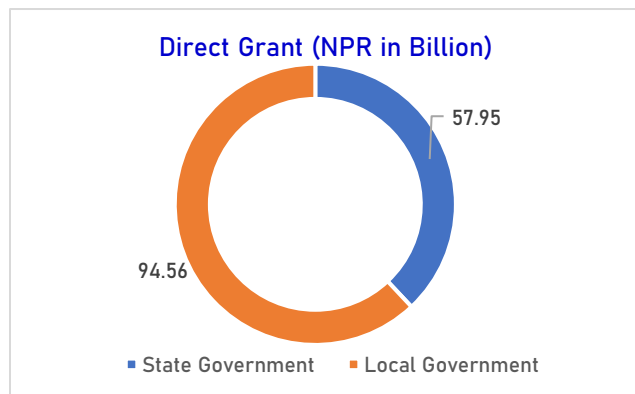
Sector wise Budget allocation as compared to previous Financial Year (NPR in billion)



4. Fiscal Transfer

NPR in Billion

Heading	State Governments	Local Governments
Direct Grant	57.95	94.56
Conditional Grant	35.87	173.50
Matching Grant		12.37
Special Grant		12.46
Total		386.71



5. Objectives of Budget

- Safeguard the life of every citizen from Covid-19 pandemic.
- Ensure rapid economic revival by speeding up economic and Developmental activities.
- Develop and strengthen national public welfare, provide social security and protection with social justice.
- Uplift economy by mobilizing public, private and cooperative resources into productive sector.

6. Priority Areas

- Expand testing areas, treatment system, supply of health equipment, free vaccination and other infrastructures on health sector, effective mobilization of doctors and health workers in order to prevent and control of transmission of Covid-19.
- Continue economic activities by providing relief to affected families by Covid-19 and concession/revival of private sectors.
- Ensure employment and work to those entering into labour market and those who have lost employment.
- Ensure social security and protection based on lifecycle to all Nepalese.
- Increase agricultural production and productivity and guarantee food security.
- Investment in skill-based education.

- Development of infrastructure that is important strategically for rapid industrialization and give immediate results.
- Balanced development through coordination and cooperation between central, provincial and local government.
- Eradicate all discrimination, with rational access to outcomes of development
- Accountable governance system, guarantee sense of security, corruption control, good governance and effectiveness in service delivery.

7. Budget Highlights

1. Substantial Increment in Budget in Health Sector to address the Covid-19 crisis as well as to improve healthcare system. (increase by around 35.2%)
2. Mandatory provision shall be made for maintaining own oxygen plant in every hospital having capacity of more than 100 beds.
3. Full exemption of VAT and Customs duty in import of required equipment for establishment of oxygen industry. 50% grant to be made available for establishment of oxygen plants by public and private hospitals. Waiver of 50% in electricity fee used in production of oxygen during the Covid-19 pandemic.
4. 20% discount shall be made available in sale of rice, wheat, pulses, salt, cooking oil, sugar and cooking gas by 'Khadya Byabastha tatha Byapar Company', and Salt Trading Company during lockdown/prohibitory period.
5. 100%, 50% 30% waiver shall be provided for consumers consuming only 20 units/150 units/250 units of electricity per month respectively during the lockdown/prohibitory period.
6. 100% waiver on drinking water bill for consumers consuming up to 20,000 litres per month during the lockdown/prohibitory period.
7. Waiver on the demand charge for electricity throughout the lockdown/prohibitory period to hotels, cinema industry and production-based industries.
8. Facility as applicable to production-based industries shall be provided to hotels and tourism industry.
9. 25% of transportation fee shall be provided as grant to facilitate the transportation of milk, vegetables, fish, meat along with other perishable consumables from production point to nearby market.

10. Loan up to NPR 80,000 at 1% interest rate to be provided to students above class 10 for purchase of a laptop. In addition to it, a sim card shall be provided at free of cost to students above 16 years of age.
11. Contribution to Social Security Fund made by organisations and employees for the months of Jestha and Asadh 2078 shall be provided by government.
12. Waiver upto 50% on house rent, land and warehouse rent to businessmen operating business on premises owned by government.
13. Continue the facility of refinancing by Nepal Rastra Bank at the rate of 5% interest to the business affected by Covid-19.
14. To revive the badly affected tourism sector, provision of 10 days of paid leave to civil servants shall be made and free one-month visa to tourists has been provisioned.
15. To encourage entrepreneurship, loan up to NPR 2.5 million shall be provided at 1% interest rate, 100% rebate on income tax has been provisioned for start-ups for up to five years from the date of operation, a one stop system shall be established to facilitate the establishment and operation of such start-ups
16. Access to insurance to be extended to at least one third of the population next year by expanding the scope of insurance service. Arrangement to allow the insurance premium of private residential property up to NPR 5,000 as deduction for income tax purposes
17. Waiver in road tax and renewal charge shall be provided if the vehicle running on petrol is replaced by electric vehicle
18. Old age allowance has been increased to NPR 4,000 per month and all social security allowance has been increased by 33%
19. The use of electronic payment devices will be made easy, accessible and secure. A National Payment Switch will be established in the coming Fiscal Year to facilitate payment and modification of transactions within Nepal by maintaining interconnection between payment cards, retail payment, QR code and other electronic payment methods. Nepal's own payment card will be used.
20. 1% additional interest to be provided if Remittance amount is deposited in fixed deposit.
21. Effective Implementation of the National Strategy for Prevention of Money Laundering and Control of Financial Investment in Terrorism.
22. License and renewal fee waiver for sectors such as cinema, handicraft, aviation, media, advertising, health club among others.

23. Arrangements to be made to make all types of payments, grants and cash transfers by the Government of Nepal and social security allowances through banking system.
24. 2.5 million loan at 5% to be provided for students who have completed their bachelor's degree. (Bachelor certificate to be taken as collateral)
25. Accidental Insurance up to NPR 7 Lakhs shall be provided to journalists where government shall contribute 50% of premium amount.

8. Amendments in Tax

Indirect Tax

1. VAT paid on Diesel and LP Gas used in taxable business shall be eligible for input tax credit.
2. VAT exemption on "transportation charges, rental of transport vehicle, cargo, E-library services, deposit security fee, trekking & tour services, certificate of origin fee".
3. For export industry under Bonded Warehouse facility, importing raw material against Bank Guarantee, unable to export processed goods within timeline, deadline for releasing bank guarantee has been extended to 2078 Chaitra end.
4. Custom Duty, VAT and Excise duty has been exempted till Poush end 2078, for the import/production and sale of Oxygen Gas, Liquid Oxygen, Oxygen concentrator and other life-saving materials and machines.
5. 100% waiver on Excise duty and significant reduction of Custom Duty on import of electric vehicles.
6. 1% Custom duty levied on induction stove. 100% waiver on excise duty and reduction in custom duty rates on refrigerator, grinder, rice-cooker, fan and other electronic equipment.
7. Reduction in 50% custom duty 50% on import of baby feeding milk.
8. Increment in Excise duty of liquor, beer, wine, cigarette, other tobacco related products and soft drinks.
9. Provision of electronic billing system shall be made mandatory for all VAT registered taxpayers.
10. Immediate refund of 10% of VAT amount shall be arranged on purchase of Goods/Services through Debit/Credit card, QR code, Scan to pay and others electronic medium.

11. For protection of local industries, provision has been made to ensure that custom duty on industrial raw material is 1 level lower as compared to finished goods.
12. Exemption of custom duty on import of equipment and their parts used in industries for producing Tea, Jute, Cinema, Pashmina, Hatchery industry and Agriculture & Nursery firm.
13. 50% waiver of Custom duty on import of one transport vehicle by agricultural cooperative.
14. No requirement of approval of sales and purchase register from tax officer
15. Renewal of Exim Code shall be provided for 5 years.

Direct Tax

1. Rebate of 90%, 75% and 50% in income tax rate shall be provided to taxpayers having annual turnover up to NPR 20 Lakhs, 20-50 lakhs and 50 lakhs-1 Crores respectively
2. 1% rate of tax shall be leviable on total taxable income of businesses highly affected by COVID-19 including Hotel, Travel and trekking, transportation and aviation services, cinema industries and media houses. In addition to it, loss of such business can be carried forward for 10 years.
3. Donations made to funds established by Central, Province or local level government for prevention, control and treatment of COVID- 19 can be claimed as expenditure for computation of taxable income in FY 2077/78.
4. Payment from funds allocated to Corporate Social Responsibility for construction of specialized hospitals and supplies of health equipment for treatment relating to COVID-19 to Health institutions specified by Ministry of Health and Population can be claimed as tax deductible expenditure for FY 2077/78.
5. Additional 25% concession shall be provided in computation of taxable pension income.
6. Transaction limit for Presumptive tax-payers have been increased from NPR 20 lakhs to NPR 30 lakhs. Transaction limit for turnover based taxation has been increased from NPR 50 lakhs to NPR 1 crore.
7. Tax exemption has been provided to income from mutual funds.
8. 50% rebate provided to taxable income from commercial agriculture to encourage commercialization of agriculture, its production and employment generation.
9. For economic resurgence after the Covid 19 pandemic, investments in manufacturing industries shall be encouraged by reviewing corporate tax rates.

10. 100% tax concession is provided to start-up businesses from the date of transaction up to 5 years from operation.
11. Seed capital provided by private industries and institutions up to NPR 1 lakh each to a maximum of 5 Start-up businesses can be claimed as tax deductible expenditure.
12. 20% tax concession is provided to income generated from sales of locally produced raw materials and sales of ancillary raw materials to special industries.
13. 10% rate of tax shall be levied on export income generated by special industries.
14. Tax shall not be withheld on payment of interest in borrowings among cooperatives and cooperative banks.
15. Reduction in withholding tax rate on payment of interest of borrowing from foreign banking and financial institutions by banks.
16. 50% rebate shall be provided for first 3 years of operation and 25% rebate shall be provided for further 2 years to the industries that produce finished goods by way of recycling materials that directly affect the environment
17. 50% rebate shall be provided for first 3 years from the production and 25% rebate shall be provided for further 5 years to the industries relocating to Industrial Area.

Tax Amnesty

1. Companies registered under Company Act 2063, and Private Firm Registration Act 2014 which has not submitted annual returns and has not renewed till FY 2075/76 shall be granted 90% waiver in applicable fee and penalty in case the returns are submitted and penalty are paid within Ashwin end 2078
2. If the legal cases (except relating to fake invoices) pending till Asadh 2077, under Income Tax Act 2058, Value Added Tax, 2052 and Excise Duty Act 2058 with Inland Revenue Department, Revenue Tribunal and Courts, are withdrawn and tax liability and 50% of interest thereon are paid within Mangsir end 2078, fee, additional fee and penalties shall be waived off.
3. If tax liability and interest thereon remaining under Income Tax Act 2058, Value Added Tax, 2052 and Excise Duty Act 2058, until Ashad end 2076 are paid within Poush end 2078, fee, additional fee and penalties shall be waived off.

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