

Nepal Budget Highlights

Financial Year 2082/83

Contents

1.	Source and Allocation of Budget	2
2.	Budget Amount Comparison.....	3
3.	Sector Wise Budget Allocation	3
4.	Fiscal Transfer	5
5.	Targeted Economic Growth Rate and Inflation Rate.....	5
6.	Objectives of Budget	5
7.	Priority Areas	5
8.	Strategies of the Budget.....	5
9.	Budget Highlights.....	6
10.	Amendments in Tax.....	11
	Indirect Tax.....	11
	Direct Tax	11
	Tax Administration	12

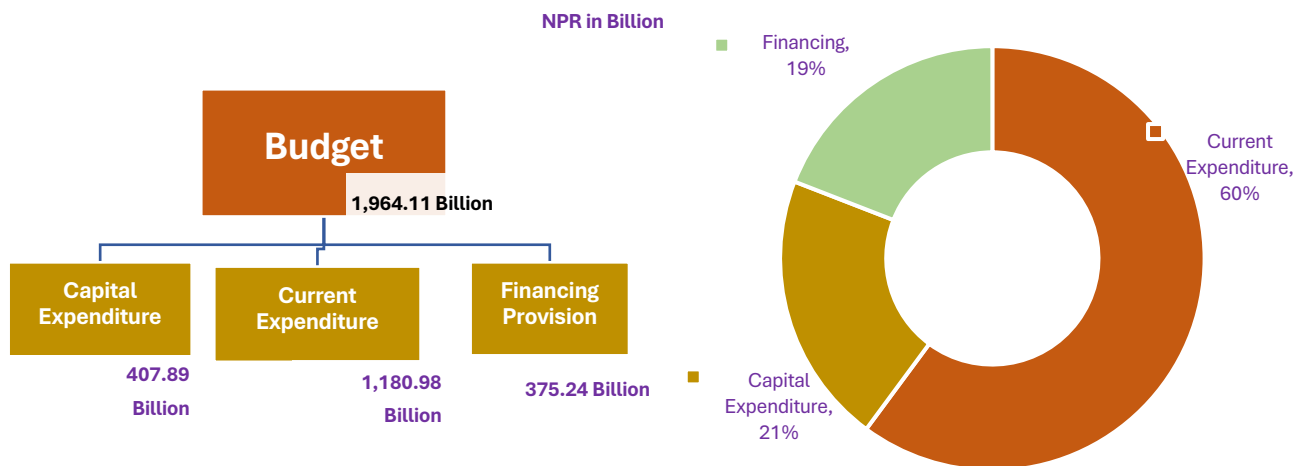
Nepal Budget FY 2024/25

Budget Highlights

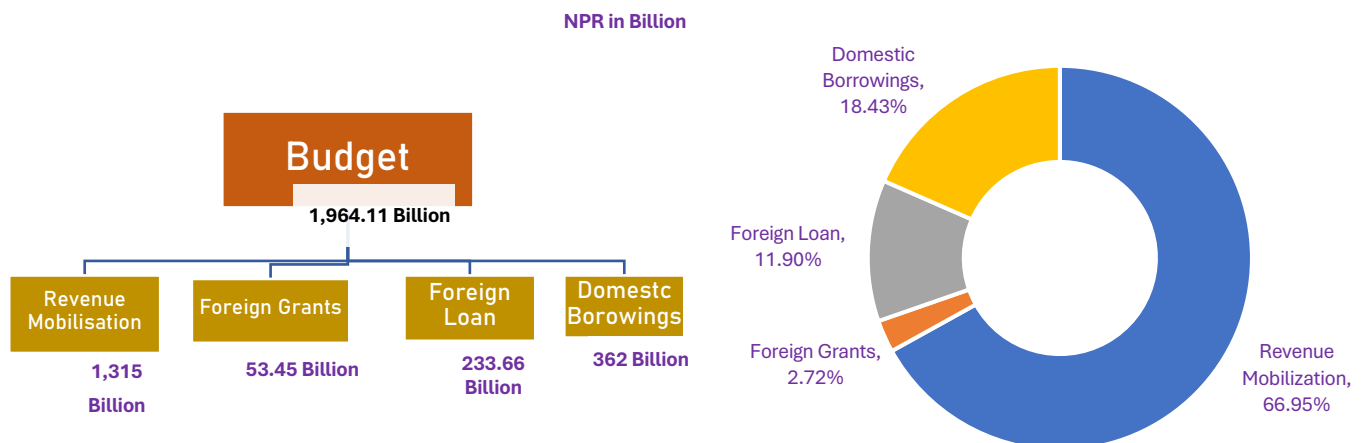
On Thursday, 29 May 2025, Honorable Finance Minister Mr. Bishnu Paudel presented the full budget for the fiscal year 2082/83 (2025/26). The allocation of resources, objectives, priorities, and significant policy statement of the budget is highlighted in this document.

1. Source and Allocation of Budget

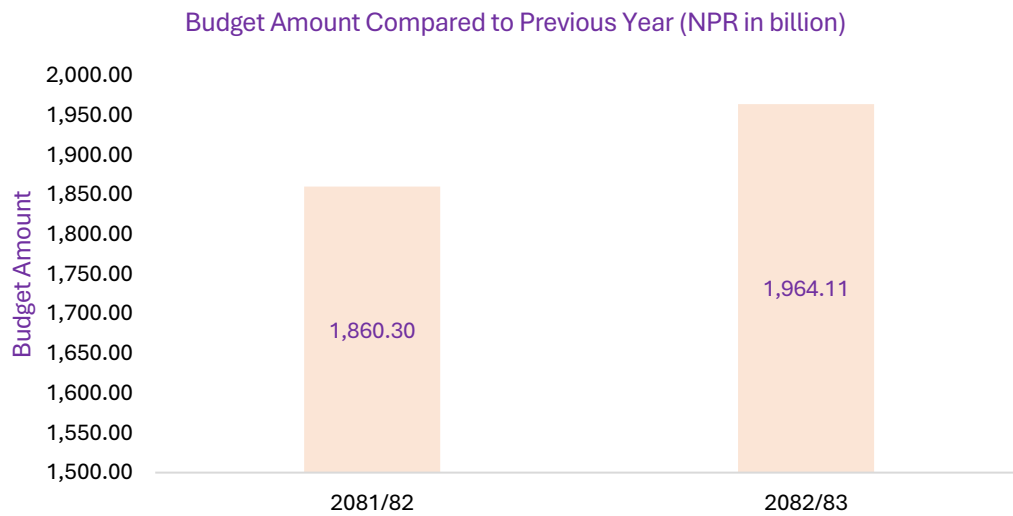
Allocation of Budget



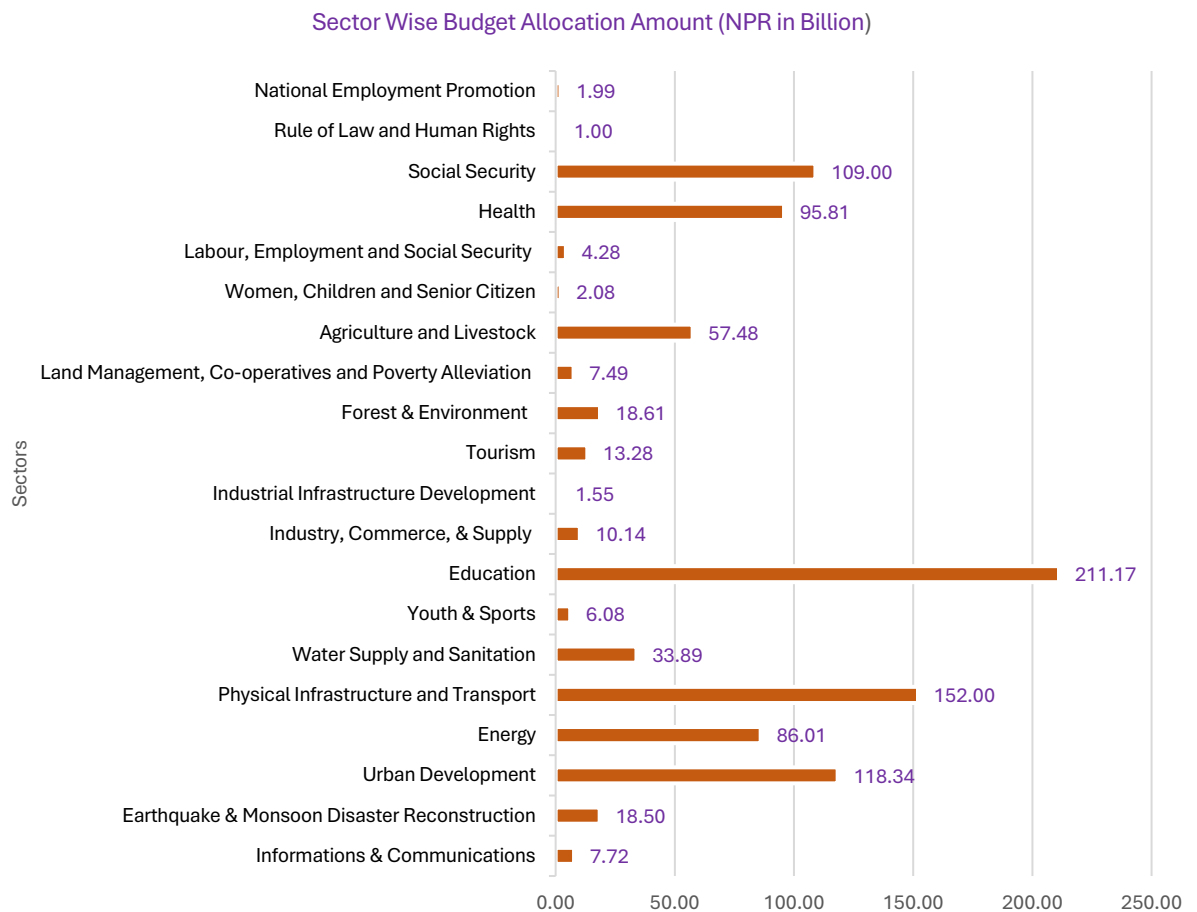
Source of Finance



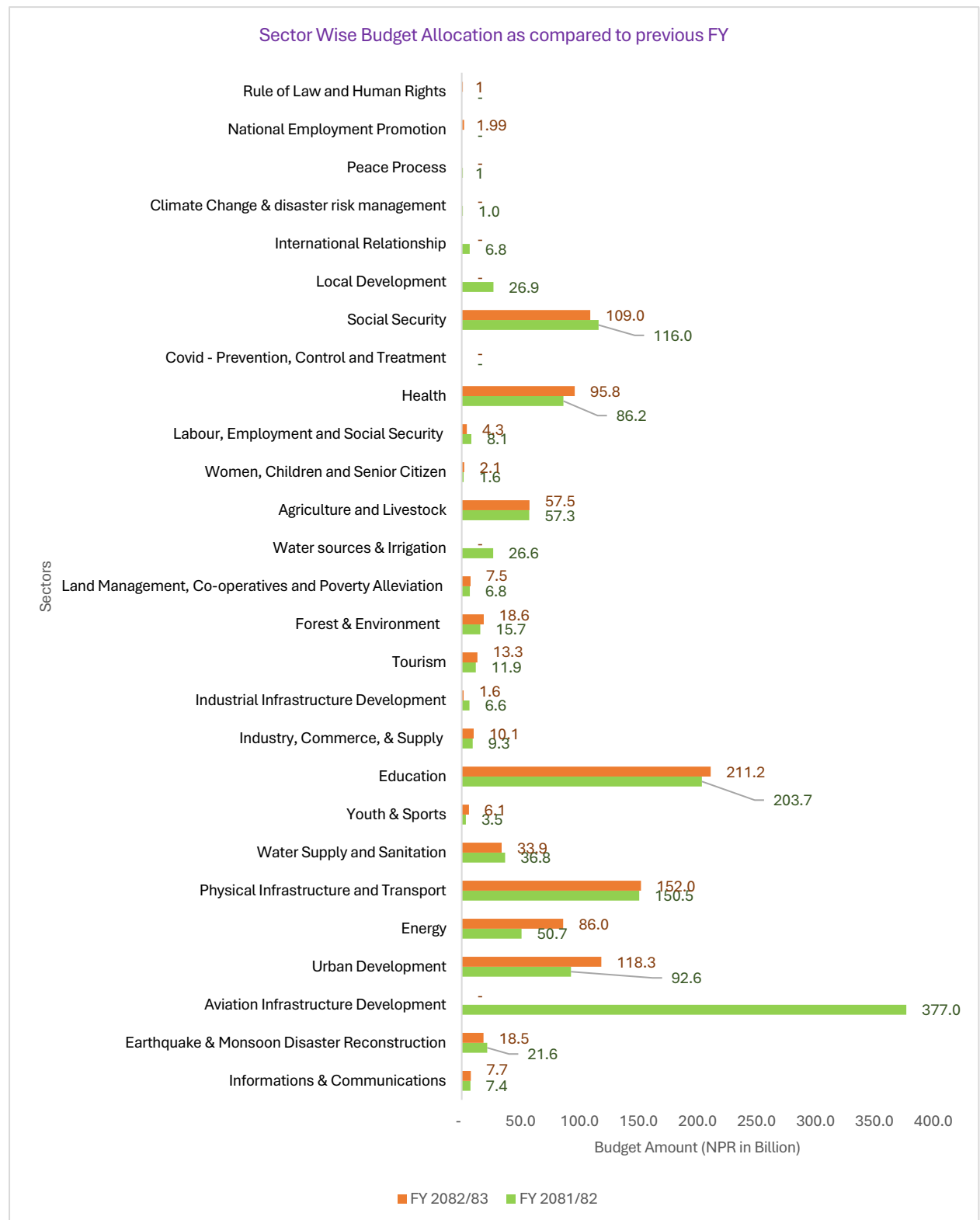
2. Budget Amount Comparison



3. Sector Wise Budget Allocation



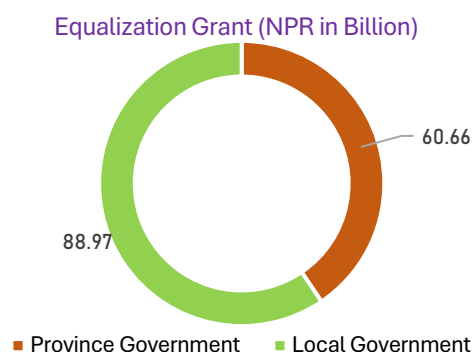
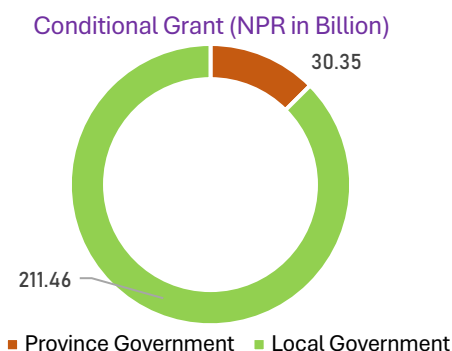
Sector wise Budget allocation as compared to previous Financial Year (NPR in billion)



4. Fiscal Transfer

NPR in Billion

Heading	Province Governments	Local Governments
Conditional Grant	30.35	211.46
Equalization Grant	60.66	88.97
Special Grant	3.27	9.78
Matching Grant	3.28	10.06
Total	97.56	320.27



5. Targeted Economic Growth Rate and Inflation Rate

- Expected Economic Growth Rate for FY 2082/83 is 6%
- Expected Inflation rate for FY 2082/83 is 5.5%

6. Objectives of Budget

- ❖ To achieve high, sustainable, and inclusive economic growth to alleviate poverty.
- ❖ To promote entrepreneurship and expand public and private investment to create employment.
- ❖ To enhance economic efficiency by increasing the effective use of modern technology.
- ❖ To establish social justice through social security and development.
- ❖ To promote quality public service and good governance.

7. Priority Areas

- ❖ Entrepreneurship, employment, production and productivity.
- ❖ Expansion of investment in quality and result-oriented physical infrastructure
- ❖ Qualitative improvement in the social sector.
- ❖ Ensuring balanced development and social security.
- ❖ Citizen-friendly services, corruption control, and governance reform.

8. Strategies of the Budget

8.1 Improving Creditworthiness and Financial Transparency

The government aims to enhance economic credibility by accelerating efforts to remove Nepal from the FATF grey list. Following Nepal's first sovereign credit rating, further economic reforms will be implemented to secure a higher rating and facilitate external capital mobilization.

8.2 *Empowering the Private Sector as a Catalyst for Economic Growth*

The private sector has been encouraged by the reforms in laws through ordinances to boost its morale and create an investment environment. Public investment will be focused on profitable areas, attracting private sector capital and technology, and qualitatively increasing economic activity. The private sector will be established as a key driver of economic prosperity by making further policy, legal, and procedural reforms in areas that contribute most to economic growth.

8.3 *Mobilizing Resources for SDG Achievement*

To achieve the Sustainable Development Goals (SDGs) by 2030 and address the potential investment gap following Nepal's expected graduation from Least Developed Country (LDC) status in 2026, resource diversification will be prioritized. The government will diversify resources, professionalize revenue administration, and strengthen the tax system. Public debt will be directed toward high-yield projects, while low-priority projects will be minimized. Innovative financing tools will be used to bridge development funding shortfalls.

8.4 *Strengthening Trade and Empowering Youth Entrepreneurs*

Emphasis will be placed on improving the balance of trade through exports of competitive goods and services and promoting domestic production of consumer goods. Experts and skilled Nepalese who are in foreign employment will be attracted to become entrepreneurs and self-employed in the country. High priority will be given to creating youth-targeted employment by promoting innovation and entrepreneurship.

9. Budget Highlights

Agriculture

1. In order to be self-sufficient in rice, **programs for promotion of paddy plantation in dry season** to be conducted in 22 districts of Terai and inner Madhesh.
2. **Supporting price to be fixed for production** of paddy, maize, wheat, sugarcane, coffee 15 days prior to plantation.
3. Youth to be attracted to agriculture through **development of improved market ecosystem and**
4. **agreements** regarding land, agricultural materials, insurance and purchase.
5. Access of small and **cottage farmers to agriculture and livestock insurance programs** to be increased

Land Management, Cooperatives and Poverty Alleviation

6. Establishment of **land banks in at least 100 local levels** in the upcoming fiscal years .
7. **Classification, integration and structural reform** of cooperatives to be done and saving and provision of National Cooperative Regulatory Authority to be made for regulation of credit cooperatives.

8. Savings of cooperatives upto NPR 500,000 to be protected through deposit and credit guarantee fund.
9. **Seed capital has been provisioned** for the establishment of a revolving fund to return the money of the depositors of cooperatives by auctioning the assets of the embezzler. Cooperatives Credit Recovery Tribunal to be established.

Industry, Trade and Investment Promotion

10. **Legal, policy based and procedural reforms to be prioritized** for the promotion of private investment.
11. An **incubation center to be established in collaboration with the government**, private sector, and universities to nurture entrepreneurial and professional skills among Gen Z.
12. **Bonded warehouses** be made available for the industries exporting gold and silver jewelry.
13. Industries availing the permission to establish **a new industry in Special Economic Zone (SEZ)** or Industrial Area to be provided with **rent exemption for the first 3 years**.
14. Industries constructing industrial areas to be provided with tax exemptions equivalent to Hydropower company and industries established in such Industrial Area to be provided with the **facilities equivalent to the industries of Special Economic Zone (SEZ)**.
15. Industries, Agriculture farms and housing apartments to be permitted **to hold land in excess of the land limit by reviewing the laws relating to land purchase and land limit**.
16. Nepal to be promoted as prime destination for **Foreign Direct Investment (FDI)** through the signing of investment promotion agreements and Double Taxation Avoidance Agreements (DTAA) with countries offering investment potential. The procedures for bringing in foreign investment and profit repatriation will be simplified.
17. **Legal reforms** are to be made to strengthen public private partnership.
18. The Investment Board to adopt the concept of **Public-Private Partnership at the federal, provincial, and local levels** for resource management, as well as for the selection and implementation of projects.
19. Nepali businesses and companies to be permitted to establish **foreign sales branches or processing facilities** abroad to further process the exported semi-processed goods. To facilitate this, legal provisions will be introduced allowing foreign investment of up to 25% of the annual export income. Additionally, 50% of the profits generated from such investments must be repatriated to Nepal.
20. Provisions to be made allowing Nepali citizens to **receive sweat equity in foreign companies** against their technical expertise and specialized services.
21. **"Make in Nepal and Made in Nepal"** campaign to be run in coordination with the private sector.
22. **Consumer Court to be extended** to all the provinces.

Tourism Infrastructure and Heritage Conservation

23. **Government owned land including forest areas to be leased** for the construction of tourist infrastructures such as hill stations, hotels, lodges, and resorts in major tourist areas.

24. Institutional **strengthening of Nepal Civil Aviation Authority** by segregating it into a regulator and service provider.

Communication and Digital Infrastructure

25. Partnership will be made with the private sector in the construction, operation and infrastructure development of data centers.
26. **The integrated data management center will be upgraded.** The capacity of the disaster recovery center located in Hetauda will be expanded and the data center under construction in Kohalpur will be brought into operation.
27. **An AI Center will be established** in collaboration with the private sector for research, application, and expansion of artificial intelligence and machine learning.
28. Hardware and software standards will be **prepared to bring uniformity into the** information technology infrastructure of public bodies.

Labour, Employment and Social Security

29. An **employment portal will be launched** to update the details of skilled people looking for employment and connect them to the labor market. Job Fairs will be organized in all provinces in collaboration with private sectors.
30. **“On the Job” and “Apprenticeship” programs** will be implemented by revising the curriculum to produce the necessary manpower based on the demand of the domestic industry.
31. **Social security programs** will be integrated and made equitable, sustainable, and systematic.

Education and Human Capital Development

32. Interns will be deployed in public bodies based on the nature of the service. To encourage entrepreneurship-friendly education, a **20-hour work-study-while-earning program will be implemented with minimum wage.**

Health

33. The health insurance program will be restructured. The legal provisions related to this will be effectively implemented and the scope will be expanded. The benefit package of the insured will gradually increase. **The social health security program will be integrated into health insurance.**

Youth and Sports

34. To promote entrepreneurship and **self-employment among educated youth, collateral-free loans** ranging from Rs. 200,000 to Rs. 2,000,000 will be provided at a **3% concessional interest rate** based on qualifications and business plans.

Energy and Irrigation

35. Micro and small hydropower, solar and wind energy will be promoted to ensure the energy mix. **Different tariffs will be determined based on the demand and consumption time** of industrial and domestic customers.

36. A study on the **potential of green hydrogen will be conducted** in collaboration with universities and the private sector.
37. The remaining rural electrification work will be completed within the next two years.
38. For project storing solar and wind energy in batteries and connected to the national system, **arrangements will be made to enter into power purchase agreements similar to reservoir projects.**
39. Power purchase agreement will be entered into in accordance with take and pay concept in case of **run of river projects.**

Infrastructure

40. Policy will be adopted to open **new tracks for roads only where they are deemed economically,** technically and environmentally appropriate.

Money Laundering Prevention

41. A national strategy and **action plan on preventing money laundering and terrorist financing** will be implemented to remove the country from the money laundering grey list ahead of schedule and to prevent such a situation from arising in the future.
42. To strengthen the anti-money laundering system, the **monitoring, investigation and action by regulatory bodies** such as the Nepal Rastra Bank, the Securities Board of Nepal, the Nepal Insurance Authority, the Cooperative Regulatory Authority, etc. **will be strengthened.**

Financial Sector Improvement

43. Timely amendments will be made to the laws related to the Nepal Rastra Bank and the Nepal Insurance Authority.
44. Nepal Stock Exchange will **be restructured, and institutional capacity** will be enhanced. (322)
45. An **asset management company will be established** to manage the bad loans and non-banking assets of banks and financial institutions.
46. **Support will be provided for the revival of affected businesses through** loan restructuring, additional working capital, and concessions on interest and penalties.
47. Individuals will be required to submit KYC details once a year to a single location, which will be linked to the national ID. Relevant authorities will be able to access this information electronically.
48. Existing **sectoral risk management will be reviewed** to facilitate loan for working capital.
49. **Cyber security insurance service will be launched.**
50. Legal arrangements will be made to enable the Employees' Provident Fund, Citizens' Investment Fund, and Social Security Fund to **invest in private equity and venture capital.**
51. The secondary market for government **bonds will be launched.**
52. Arrangements will be made to **allow non-resident Nepalese to trade in the secondary market.**
53. Legal arrangement regarding credit transactions will be made.

Public Enterprises Management

- 54. Closed and sick industries owned by the Government of Nepal will be operated and **managed using appropriate modern technology.**
- 55. A study on the strategic economic and commercial feasibility of public enterprises such as Janakpur Cigarette Factory, Gorkhali Rubber Industry, Terai Sugar Factory, Nepal Metal Company, Butwal Yarn Factory and Udaypur Cement Industries will be conducted, **and government investment will be managed accordingly.**
- 56. The **regulatory jurisdiction of Nepal Electricity Authority** will be enhanced.
- 57. Strong institutional arrangements will be made to separate the roles of electricity generation, transmission, and distribution.

Public Finance and Project Management

- 58. To ensure that previously announced projects are completed on time, within the projected cost, and with quality, **the public procurement law will be amended.** The electronic procurement system will also be strengthened.

Frugality

- 59. From FY 2082/83, citizens who have reached **the age of 70 will be eligible** to receive the senior citizen allowance.

Improvement in Tax Laws, Protection of Industry and Investment Promotion

- 60. To address the changes in international tax systems and evolving global business structures, the laws related to **Value Added Tax (VAT), Income Tax, and Customs Duty will be reviewed.**
- 61. A study will be conducted on the feasibility and practical application of implementing **a multi-rate VAT system**, based on suggestion from various stakeholders (
- 62. Provisions to treat information technology **(IT)-based industries, hotels, and resorts** as special industry for the purpose of exemption in income tax and electricity tariff.
- 63. Removal of customs duties and **abolished excise duties and taxes on the import of machinery and equipment used to produce organic and natural fertilizers.**
- 64. Provision to levy only **1% customs duty and exempt other taxes** and duties on the import of battery and other equipment required for **storage of electricity generation from solar and wind energy sources.**
- 65. To promote the establishment of industries engaged in the production and assembly of electric public vehicles and their components, Provisions to levy only **1% customs duty and exempt other taxes and duties** on the import of required machinery and equipment. Such industries will also be granted income tax exemptions for up to five years.
- 66. To promote the use of modern technology in road, irrigation, and hydropower projects, import of **tunnel boring machinery by the private sector will be subject to only 1% customs duty**, with exemptions from all other applicable taxes and duties.
- 67. **Abolished the advance income tax levied at the customs point on the import of essential goods** such as food grains, legumes, fruits, vegetables, livestock, and dairy products.

68. Customs valuation will be made more accurate and realistic by preparing an internal database of international price trends, and the reference prices will be replaced by an automated valuation system.

10. Amendments in Tax

Indirect Tax

- a. Machinery and equipment imported for green hydrogen production **will be exempt from all taxes and duties.** (392)
- b. **Customs duty reduced to 1% and other taxes waived** for industries importing equipment for wood processing, batteries and other equipment required to store electricity from solar and wind energy, tunnel boring machines, sports infrastructure, EVs, and charging stations.
- c. Taxpayers who have not paid VAT and excise duty and have not even filed VAT and excise duty returns shall be **granted waivers on applicable interest, penalties and late fees.**
- d. Value Added Tax (VAT) **shall not be levied on clearing house services** to encourage digital payments.
- e. **Value Added Tax (VAT) shall not be levied on hearing aids** required for people with hearing impairment.
- f. An increase in customs duty rate on the import of alcohol, beer, tobacco and cigarettes has been made.
- g. The requirement for entities involved in export/import-oriented businesses to submit a bank guarantee of **NPR 300,000 to obtain an EXIM Code has been removed.**
- h. **The expansion of the base of the Digital Service Tax** has been made to bring all types of digital transactions under the tax ambit.
- i. **Scope of the centralized electronic billing monitoring system** will be expanded to increase taxpayer participation in the electronic billing system.
- j. For temporary imports of vehicles and equipment, once custom duty is paid at the custom duty, **other entry fee, route permit, or charges shall not be imposed** by federal, provincial, or local levels within Nepal
- k. **Custom duty and other taxes shall not be levied** on the import of mill machinery and equipment for production of organic and natural fertilizer.
- l. **Interest, additional charges, and penalties under VAT shall be exempted to** International airline service providers and those involved in the ticketing business **if they pay the outstanding principal tax** dues and submit tax returns

Direct Tax

- a. **Income tax exemptions** shall be provided to producers of green hydrogen **for up to five years.** (392)
- b. If a transport service provider pays rent to a natural person for the use of a transportation vehicle and **withholds the applicable tax at source**, the rental amount may be claimed as a deductible expense when calculating taxable income.
- c. Provision of 75% tax exemption on income earned through IT-related service exports. For individuals **residing in Nepal who provide IT-related services to foreign countries, a 5% tax** will be levied on their income, which shall be treated as the final tax.

- d. The provision requiring taxpayers to pay a minimum tax despite having no taxable transactions has been removed.
- e. Hotels and resorts to be **provided with concessions relating to income tax and electricity tariffs like** manufacturing industries.
- f. Startup **businesses with annual transactions up to NPR 10 Crore will be made exempt** from income tax for five years.
- g. Exemption on income tax shall be granted to industries producing and assembling EV charging machines for up to 5 years.

Tax Administration

- a. Revenue service to be made paperless, contactless and faceless through specialization of revenue administration, capacity development and skill growth
- b. Establishment and upliftment of unified examination centers to be made at major custom points.
- c. Business process re-engineering to be carried out to ensure required changes in the inland revenue information system.
- d. Activities to be done under Inland Revenue Mobilization Strategy (IRMS) and Custom Reform and Modernization work plan to be paced up.
- e. Foreign trade to be facilitated by expanding the scope of the National Single Window Information System.

Further Consultation, Please Contact:

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