



# Nepal Budget Statement Highlights

*VRock & Company*

**FY 2079/80 (2022/23)**

## BUDGET 2079-80 (2022-23)

The Government's annual budget functions as a policy leverage to stimulate economic development by providing necessary guidance and mobilizing resources for effective governance. Minister of Finance Hon. Janardan Sharma presented the Budget of Federal Government for the Fiscal Year 2079/80 at 4 PM on 15th Jestha 2079. Major highlights from the budget are summarised in this document.

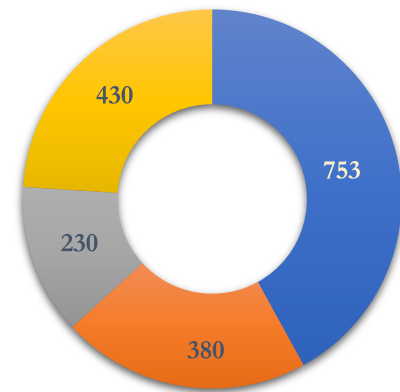
### OBJECTIVES

- To achieve high and sustainable economic growth through the development of a production-based economy.
- To create employment and alleviate poverty through integrated mobilization of available resources, manpower, capital, and technology.
- To achieve the goal of overall financial stability through maintenance of fiscal discipline and inflation within predetermined thresholds.
- To establish federalism as a vehicle of prosperity by transferring resources across the state and local levels.
- To build the foundation of a balanced, inclusive, self-reliant, and socialist-oriented economy through economic and social transformation.

### PRIORITIES

- Transformation in the agricultural sector
- Enhancement of production and productivity, create employment and alleviate poverty in collaboration with government, private and cooperative sectors.
- Local economic development based on innovations.
- Human resource development.
- Capital formation and infrastructural development.
- Hydropower generation, transmission line expansion and rural electrification.
- Industrial development, investment promotion and revitalization of the tourism sector.
- Environmental protection, disaster management and risk mitigation of climate change.
- Effective public service & promotion of good governance and periodic elections.
- Scientific Research and Development.

## Allocation of Budget (In billions)



- Current Expenditure
- Capital Expenditure
- Financing Provision
- Transfer to Provincial and Local Governments

## Sources of Budget

**Budget 1,793 Billion**

Revenue  
1,240  
Billion

Budget Deficit  
498 Billion

Foreign  
Grant  
55 Billion

Foreign  
Loan  
242 Billion

Domestic  
Loan  
256 Billion

## COVID 19 Relief Packages

- Tax rebates on applicable tax rates/presumptive tax amount as a relief measure for Covid-19 impacted businesses based on their annual turnover for FY 2021-22. Applicable rebates has been summarized in the table below:

<i>Annual Turnover</i>	<i>Tax Rebates on Applicable Tax</i>
Up to Rs. 3 million	75%
Rs 3 million to 10 million	50%

- 50% rebate on applicable tax for FY 2021-22 shall be provided to residents for income derived from businesses related to hotel, travel, trekking, film industry, party palace, media house or transportation.

## Automobile Sector

### Two Wheelers

Type	Engine Displacement (CC)	Increase in Duties	
		Excise Duty	Customs Duty
Motorcycle	200-250	20%	10%
Motorcycle	251-500	10%	

- The government has **reduced** the tax rate on motorcycles/scooters with a capacity of less than 200 cc.
- The government has reduced excise duty on motorcycles / scooters between 125 and 200 cc by 10 percent. The excise duty, which was 50 percent earlier, has been reduced to 40 percent.

### Four Wheelers

Type	Engine Displacement (CC)	Increase in Duties	
		Excise Duty	Customs Duty
Car	1500-2000 2000-2500 2500-3000	5%	-

Excise duty on mass-selling cars below 1500cc will remain unchanged.

### Electric Vehicles (EVs)

- The government has announced a waiver of excise and customs on electric cars up to **100 kW** capacity.

- The government will establish charging stations in 85 places to encourage the use of EVs.
- Electric cars with motor of 100 kW to 200 kW will now attract a 30 percent excise and customs duty, whereas 45 percent excise and customs duty fixed on electric cars with motor 201 to 300 kW capacity, and 60 percent excise and customs on electric cars above 300 kW capacity.
- The new provision will lead to hike in prices for long range EVs.
- The government has announced to provide a 40 percent income tax exemption for electric car manufacturing or assembling industries on their earnings for five years.
- Similarly, car companies looking to assemble combustion engine cars will get 50 percent waiver on excise duty and 25 percent waiver on customs duty.
- Import of raw materials or tools used for manufacturing of electric rickshaw, motorbike or scooter units in Nepal, 1 percent customs duty tax will be applicable.

## Energy Sector

The government has allocated Rs 75.10 billion budget to the energy sector.

- 715 MWs of electricity will be connected to the national transmission grid this fiscal year and Rs 43 billion has been allocated for transmission line and substation infrastructure.
- The government aims to raise the per capita consumption to 400 kWh and ensure electricity access to all households within two years.
- Government to prioritize projects with at least 50% storage or peaking capacity.
- Likewise, the government has decided to reduce the subsidy being provided to cooking gas and remove cooking gas cylinders from Singhadurbar premises by July next year.
- Government to build 13 large hydropower projects
- Reimbursement up to 75% for developers constructing T-lines for evacuation of power from busbar to the nearest substation.

### Electricity:

- 2 to 15 percent concession to industries consuming electricity worth Rs 100 million yearly.
- IPO of Nepal Electricity Authority to be floated at a premium price. The amount raised to be invested in developing reservoir-based projects.
- Electricity will be considered the major export for improving international trade and decreasing trade deficit.
- Free electricity to consumers using up to 20 kWh (Units) of electricity

- One electric stove per family will be distributed at the local level.

### **Budget allocation to Provincial and Local Governments**

- Rs 61.43 billion has been allocated to Provincial governments while Rs 100.23 billion has been allocated to Local government.
- Conditional Grants of Rs 57.17 billion and Rs 183.72 billion are to be provided to Provincial and Local governments respectively.
- For the implementation of infrastructure projects, supplementary grants of Rs 6.30 billion and Rs 7.27 billion are to be provided to provincial and local governments, respectively.
- Estimated Rs 163.03 billion to be transferred to provincial and local governments for revenue distribution.

### **Health Sector**

- Rs 69.38 billion has been allocated for the Ministry of Health and Population of federal government. Similarly, Rs 6.36 billion has been allocated towards Provinces and Rs 27.44 billion at the local level.
- Free health check-up once a year for people above 40 years of age.
- Rs 200 million has been allocated for installing dialysis machines at each provincial hospital.
- The government has made necessary arrangements for free kidney transplants.

### **Education Sector**

- Announcement to start technical education in 12 hundred schools across the country.
- Rs 8.3 billion has been allocated for Technical and Vocation Education (TVET) programs.
- Loans for start-ups and young entrepreneurs with educational certificates as collateral has been continued.
- Rs 100 million has been allocated for the procurement of internet and digital boards in 20 schools in all provinces.

### **Agricultural Sector**

- The government has introduced the Kisan Pension Scheme, where the government will match 10% amount deposited by the farmers.
- NPR 450 million was allocated for 100 food warehouses across the country
- 80 % premium of agricultural insurance will be borne by the government

### **Financial Sector**

#### *Banking*

- Payment collections and pay-outs across all tiers of government will be made through the banking channel
- Required provisions will be made to develop fully digitized banking services
- Each branch of commercial banks will need to lend to at least 5 agricultural production and processing industries
- Differentiated rates of interest for productive and business sector loan.

#### *Insurance*

- Insurance companies must invest a certain percentage of their profits in the infrastructure sector.
- Limit of deposit insurance shall be increased to Rs 500,000 from Rs 300,000.

#### *Cooperatives*

- Cooperatives should invest 50 percent in the productive sector.
- Concessional loans will be provided through microfinance.

### **Industries and Investments**

- Only entities and individuals who have obtained permission from the official agencies will be allowed to trade real estate.
- Government announces to operate Hetauda textile industry.
- The government has lowered the minimum FDI threshold to Rs 20 million from the existing Rs. 50 million.
- Local infrastructure department dismissed.
- Green Hydrogen and Green ammonia-based fertilizers-factory will be established in the collaboration with Investment Board.
- Hedge funds will be established to reduce the risk of forex rate fluctuations in the international investments
- All the payment collections and pay-outs from three levels of the government will be made through the banking channel
- Required provisions will be made to develop fully digitized banking services
- The online trading system of the securities market (NEPSE) will be improved
- Legal provisions will be made to allow NRNs to invest and trade in the secondary capital market
- 10% quota in IPOs to be allocated for Nepali migrant workers living abroad.
- Mandatory issue of IPOs to Companies with capital more than Rs. 1 billion or transactions of more than Rs. 5 Billion must issue IPO.

- Companies that use natural resources and enjoys government benefits are to issue IPO.
- Private equity and venture capital will be allowed to operate

## Taxes

### Direct Taxes

- Tax Slabs Revision on remuneration income of a resident natural person as follows:

Taxable Income		Applicable Tax Rates
Single	Couple	
Up to 500,000	Up to 600,000	1%
Next 200,000	Next 200,000	10%
Next 300,000	Next 300,000	20%
Next 1,000,000	Next 900,000	30%
Remaining		36%

- In addition, the limit for deducting insurance premium of investment (life) insurance for income tax purposes have been increased to Rs 40,000 from Rs 25,000
- Applicable tax rates on the gain on disposal of Non-Business Chargeable Assets (Land and Building) have been amended as follows:

Period of Ownership	Applicable Tax Rates	
	Current	Amended (2022-23)
Less than 5 Years	5%	7.5%
5 years or more	2.5%	5%

- Arrangement to levy only one percent tax on the person earning foreign currency by providing services based on software, electronic services, business process outsourcing or information technology of such nature outside Nepal has been made.
- Withholding tax (TDS) @ 1.5% shall be applicable in case of royalty payment to a resident person for literary article or composition.

### Tax Concessions:

- Full income tax exemption for 15 years from the date of commencement of business if special industries are set up in hilly districts of Karnali and Far western region that provide direct employment to more than 100 people.
- Reduction of telecommunication service fees to 10% from 13%

### Indirect Tax

- Decrease in the customs duty of raw materials required by manufacturing industries by at least one level as compared

to customs duty on import of corresponding finished goods.

- Non-resident person whose turnover from electronic service in Nepal is over Rs 2 million in the last 12 months is required to register themselves under VAT as per the procedures prescribed by the Inland Revenue Department. Likewise, in case of cessation of business activities or closure of business by such person, the deregistration process of such person shall be as prescribed by the Department.
- Exemption of 90% customs duty on import of sanitary pads. 1% customs duty will be applicable on the import of raw materials required by the manufacturing industries producing sanitary pads in Nepal.

### Increment in Excise Duties:

Goods	Old	New
Edible nuts, peel of citrus fruits or melons	5%	15%
Fish and crustaceans, molluscs, and other aquatic invertebrates	5%	10%
Scented nutshell without tobacco per kg	Rs 281	Rs 350
Paan masala without tobacco per kg	Rs 812	Rs 821
Beer made from malt	Rs 198	Rs 228
Cigars, cheroots and cigarillos containing tobacco per stick	Rs 21	Rs 30
Cigarettes containing tobacco without a filter per meter	Rs 618	Rs 710
Cigarettes containing tobacco with a filter per meter	Rs 200	Rs 500
Unmanufactured tobacco per kg	Rs 118	Rs 130
All kinds of alcoholic fluids including spirits used as raw material of wine or brandy per litre	Rs 198	Rs 228
Non-alcoholic beer per litre	Rs 20	Rs 30
Import of Beauty or make-up preparations for the care of the skin (other than medicaments), including sunscreen or suntan preparations; manicure or pedicure preparations	Increased by around 5% to 10%	

### Interesting Projects:

- Arrangements will be made for electronic payment for transportation services in major cities.

- Government to assume the construction of Gautam Buddha International Stadium.
  - Government announces to build three expressways connecting Chitwan with Kathmandu, Butwal and Pokhara.
  - Announcement to expand Narayanghat road section.
  - The government has prioritized construction of roads connecting Nepal with China.
  - Accelerate the construction of East-West Railway Bardibas - Nijgadh section.
  - Allocation of Budget for Nagdhunga tunnel, Pushpalal Highway, expansion of the ring road.
  - Budget has been allocated for the improvement of airways infrastructure in Nepal.
  - Utility Corridors will be developed to remove the repetition of maintenance works on the roads and urban settlements and the inconvenience caused by them.
  - Petroleum pipeline from Siliguri in India to Jhapa will be made soon.
  - National Cyber Security Center will be established to ensure cyber security among the citizens and digital forensic research of digital systems of governmental units.
  - Announcement to develop Marin of Sindhuli as a new city.
  - Unbundling of the Civil Aviation Authority of Nepal into two bodies.
  - The construction of Mulpani cricket stadium to be completed this year.
  - Kirtipur stadium to be upgraded to host night-time events.
  - Dadeldhura Balewa Dang and Tikapur airports will be upgraded.
- Provision of safe housing for the extremely poor, dalit and endangered castes.
  - Reduced internet service charges.
  - Entrepreneurial housewife program will be conducted.

**Other:**

- Self-employed citizens will be included in the citizen pension scheme.
- Old age allowance shall be provided from 68 years instead of 70 years of age.
- Concessional loans to returnees from foreign employment.

**VRock & Company Private Limited**

357/36, Kalika Marg, Kalikasthan, Kathmandu-29, Nepal

Tel: +977 1 4510291

Website: [www.vrockcompany.com](http://www.vrockcompany.com)

Email: [info@vrockcompany.com](mailto:info@vrockcompany.com)

**Disclaimer**

This publication is intended to provide general information and is not intended to provide or substitute legal or professional advice