

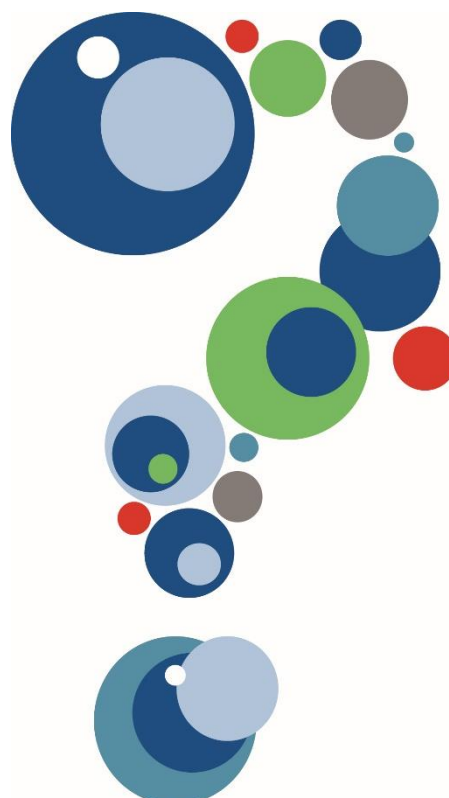
BUDGET 2077/78 (2020/21)

MAJOR HIGHLIGHTS



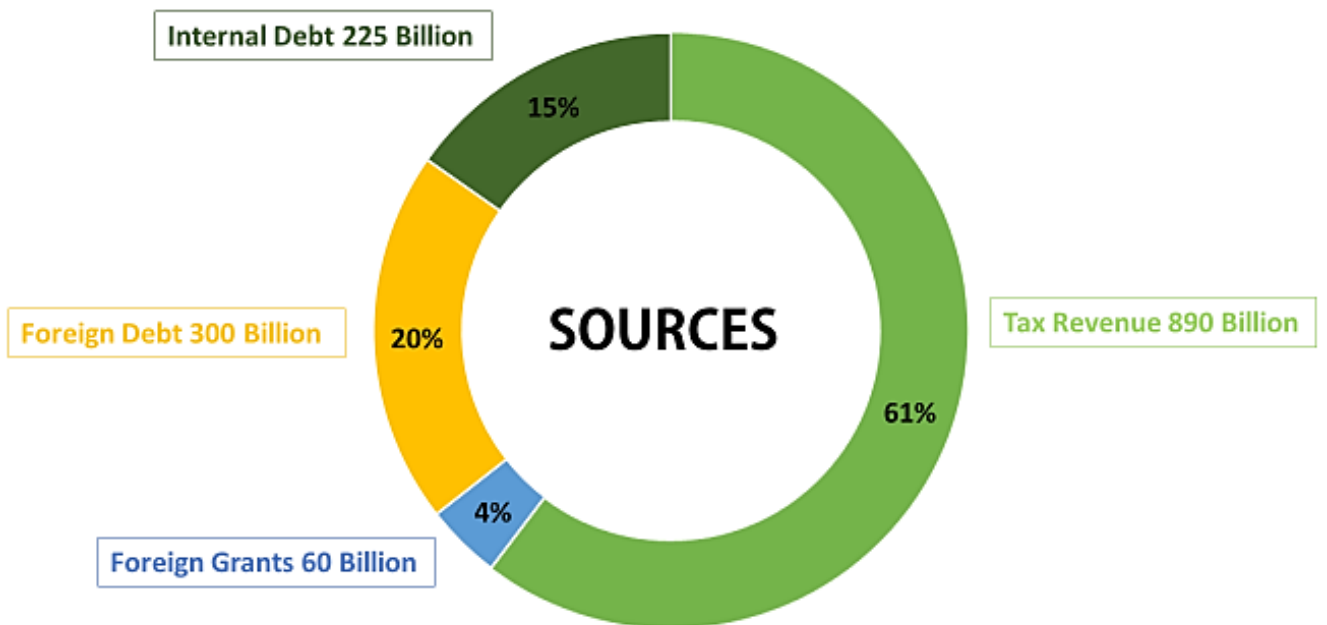
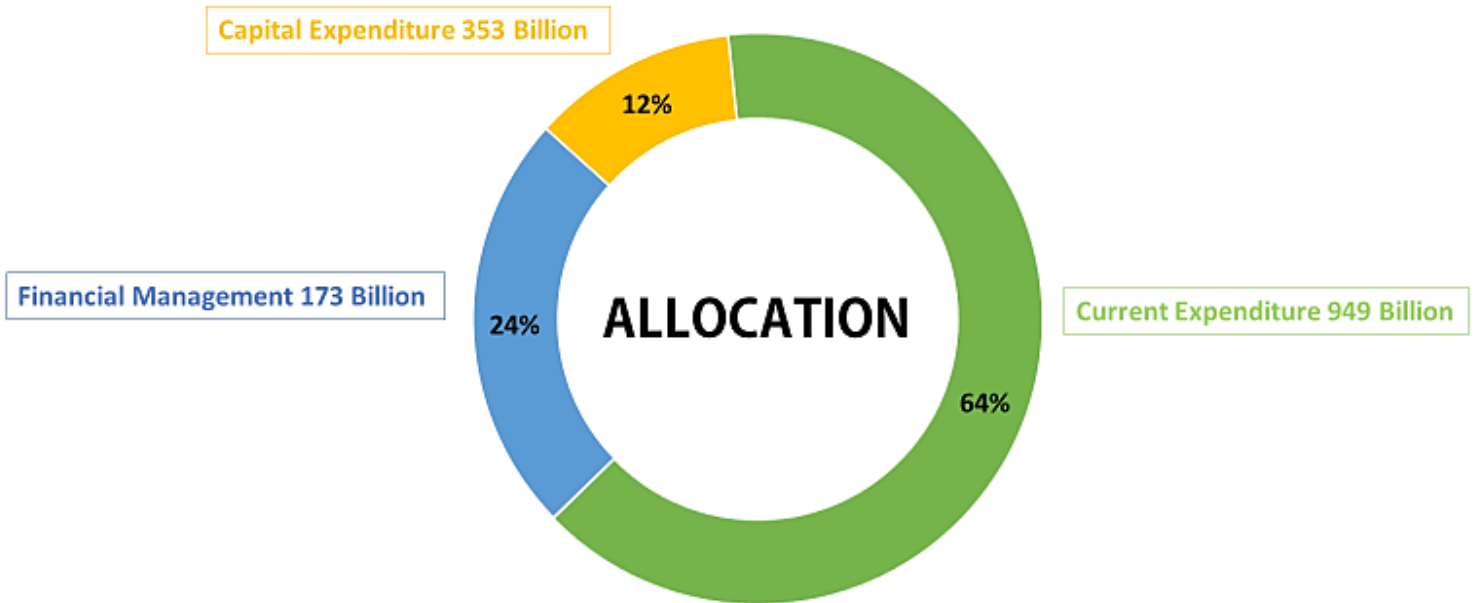
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1. SNAPSHOT



TOTAL SIZE OF BUDGET: 1475 Billion



2. MAJOR HIGHLIGHTS

- ★ Economic Growth Rate for the Current Year – 2.3% & for the upcoming year 2077/78 – 7% (Projected). Inflation projected to be 7% for the upcoming year.
- ★ 6 Billion attributed towards the control and treatment of the ongoing COVID-19.
- ★ Startups to be provided loan at the reduced interest rate of 2% for funding initial capital requirements.
- ★ Health workers working for the treatment of COVID-19 to be provided health insurance cover of upto 5 lakhs free of cost
- ★ New Infectious Diseases hospital to be constructed in Kathmandu (300 beds) and in each provincial capital (50 Beds). ICU Beds to be increased in government hospitals of Kathmandu and the provincial capitals.
- ★ 12 Billion 460 Million attributed towards Health Infrastructure Development
- ★ Cottage, Small and Medium Enterprises as well as COVID-19 affected Tourism businesses to be provided loans at 5% interest for the payment of salaries/wages to its workers and employees and for the operation of its business. A fund of 50 billion has been attributed for this purpose which will be operated through the NRB.
- ★ Refinancing at the interest rate upto 5% to be provided by the NRB to COVID-19 affected cottage, small and medium industries agriculture sector, manufacturing industries and Hotel, Tourism and other Industries.
- ★ Nepali Airline companies to be provided tax cuts on infrastructure tax for Parking charges, AOC renewal charges, Airworthiness certificate renewal charges, and also Aviation turbine Fuel.
- ★ Construction, Transportation, Telecommunication, Cinema, etc. sectors to be provided concessions on license fee and equipment renewal fee, loan facilities for working capital and time extension of contracts and bank guarantee for the period of the Lockdown.
- ★ Further 2 Lakhs jobs to be generated through the Prime Minister's Employment Scheme.
- ★ Commodities market to be brought in functioning.
- ★ A National Payment Gateway to be implemented.
- ★ NEPSE to be made completely digitized.
- ★ "One Province, One Tourism Spot" program is proposed to be encouraged.
- ★ Implementation of requirement of Work Permits for foreigners working in Nepal



3. TAXATION (IMPORTANT HIGHLIGHTS)



★ VAT

- Micro Enterprise Insurance to be exempted from VAT
- Four Monthly returns and payment of VAT to be provided for Tourism, Transportation and Movie Theatres.
- VAT exemption to be provided for the raw materials imported by Pharmaceutical industry and VAT Refund will be given if raw materials are locally procured.
- No changes in the rates of VAT.

★ DIRECT TAXES

- Following Tax Concessions to be provided to micro, cottage & small enterprises based on their turnover of 2076/77:

Turnover	Tax Concessions
0-20,00,000	75%
20,00,000-50,00,000	50%
50,00,000-1 crore	25%

- Duration of Income Tax Exemption for Micro Enterprises to be increased to 7 years and for Micro Enterprises run by women entrepreneurs to 10 years
- Airlines, Transportation, Hotel, Travel & Trekking Business which are most affected by the COVID-19 crisis to be provided 20% concession on the Income tax based on the Tax Returns of FY 2076/77.
- Special Industries establishing in Industrial District and Industrial Villages to be provided a concession of 25% on Income tax for 5 years from commencement of operation.
- No income tax to be levied on the income of drinking water and cleaning users group operating as per their objectives. Income tax assessed upto 2075/76 to be waived.
- Cooperatives operating in Gaupalika to be exempted from Income Tax
- Cooperatives (carrying out taxable business) operating in municipality, sub-metropolitan and metropolitan to be levied Income Tax at the rate of 5%, 7% and 10% respectively.
- Tax on retirement payment to be waived if the amounts lying in approved retirement fund operating in different institutions is handover to Social Security Fund by 2077 Chaitra End. Such fund will be gradually phased out.
- Full deduction, of the amount of contribution made to Corona Infection Prevention, Control and Treatment Fund established by Government (Federal, Provincial and Local Level), shall be allowed from taxable income for FY 2076/77.
- PAN will not be required for payment of wages up to Rs. 3000 of one-time nature.
- PAN shall not be required for purchase of agricultural, forestry, animal or other household products directly from natural person not having business transactions and also in case of expenses up to Rs 2,000.



- Special Industries as per Section 11 or any entity engaged in the business of constructing and operating road, bridge, tunnel, ropeway, railway or overhead bridge or in the business of operating tramway or trolley bus can claim additional 1/3 depreciation for Block A, B, C & D assets.

★ CUSTOM DUTY

- Custom rate on machineries and raw materials imported by Micro, Cottage and Small Enterprises, Agriculture and animal husbandry industry, veterinary services and Mask Manufacturing Industries; agricultural equipment and machineries imported by Agricultural Farm and companies and Seed of Rice, maize, wheat, vegetables reduced.
- Customs duty on import of primary agricultural produce and agriculture improvement fee increased.
- Custom rate on the raw materials of Ayurvedic medicine reduced.
- Custom rate on some raw materials used by industries reduced.
- Customs rate on Petroleum (except Aviation Turbine fuel and LPG Gas), Gold and Gold Ornaments increased.

★ EXCISE DUTY

- Excise duty on the Internal production of Ethanol (which is used as raw material of sanitizer), and PPE (Personal Protective Equipment) to be exempted
- Excise duty removed on over a dozen items.
- Excise duty imposed on import of all kinds of furniture.

★ OTHER DUTIES AND TAXES

- Exemption of Telecom Service Fee will be provided to Internet service providers providing fixed broadband services on up to 50% of Repair and Maintenance expenses.
- The service fee for Radio and Television Networks producing and airing programs by itself(in-house) is reduced to 1 %.
- Health Risk Tax imposed on tobacco and tobacco products has been increased.



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