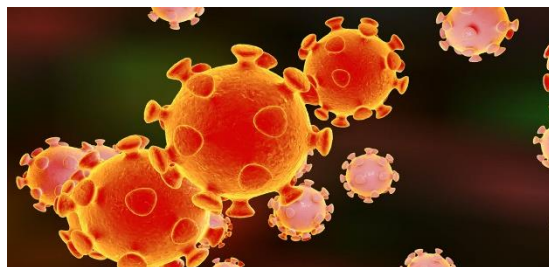


## COVID 19 updates in Nepal

The Government of Nepal (GoN) has further extended the ongoing lockdown imposed to control the spread of the corona virus till 31 Jestha 2078 with slight ease in restrictions. GoN has permitted to open grocery shops till 9 am which were closed as per the lockdown issued from 14 Jestha 2078 to 20 Jestha 2078. All other restrictions are same as before. Domestic and international flights and all public movement outside of the home, except in emergency conditions are banned.

The number of people testing positive for Corona virus has reached 588,124 where 89,217 cases are active and 491,009 have recovered. Nepal has witnessed 7,898 deaths till 6 June 2021.



## PKF Nepal Updates

### Work from home

PKF Nepal team is continuing to provide its services remotely due to extension of lockdown declared by the GoN. All our team members are safe and healthy. PKF Nepal is constantly communicating with the clients for the support they require and also to plan for the upcoming engagements. Team communication is ongoing on a regular basis where staff check-in through online platforms and collaborate with each other.

## New staff welcomed to PKF Nepal

PKF Nepal welcomes newly joined staff Bishesh Baidwar to the PKF family.

## Staff leaving PKF Nepal

PKF Nepal extends farewell to PKF family members viz. Asmita Thapa, Rahul Shah, Maria Thapa and Ujjwal Narendra Bastola who have decided to move on for their career enhancement with other entities. PKF Nepal expresses its gratitude for their valuable contribution to the firm during their stay period.

## Birthdays

PKF Nepal extends birthday wishes to PKF family members viz. Shovana Dahal, Barsha Khanal, Smarika Gharti, Shubham Thapa, Alin Karki, Anish Tuladhar and Kapil Pathak whose birthdays were in the month of May.



## Recent Updates

### Budget for FY 2078-79 (2021-22)

On Saturday, 29 May 2021, Honorable Finance Minister, Mr Bishnu Prasad Paudel presented Rs 1,647.57 billion budget for the FY 2078-79 (2021-22) through an Ordinance. Rs 122.77 billion allocated to the education sector was the highest budgetary allocation to any sector whereas the health sector was allocated the highest every budgetary allocation in the history of Nepal budget. Further, prevention and control of

COVID-19 pandemic has been prioritized.



## Major changes in the finance bill

### Income Tax

- Tax rebate on applicable rates based on annual turnover of small taxpayers for Fiscal Year 2020/21 considering impact of COVID-19.
- Increase in annual turnover and business income threshold for presumptive tax payers and annual turnover threshold for turnover based taxpayers.
- Rebate on tax rate and extension on the carry forward period of loss in case of hotel, travel, trekking, transportation and airlines, cinema industry, party palace and media house.
- Contribution made to Corona Fund setup by federal, provincial and local governments shall be deductible for computation of taxable income for the year 2020/21.
- Amount contributed for construction of specialized hospitals and providing health equipment related to treatment of COVID-19 to designated medical institutions out of amount set aside for CSR shall be deductible in computing taxable income.
- Withholding taxes on retirement payment transferred from other approved retirement fund to contribution based social security fund within Chaitra end 2078 shall be waived.

## Value Added Tax

- Exemption of VAT on import, production and sales of oxygen gas, liquid oxygen, oxygen cylinder, oxygen concentrator and other lifesaving goods and medicine.
- Provision for requirement of attestation of sales and purchase register on annual basis from tax officer has been removed.
- Compulsory registration with VAT based on the nature of business has been removed.

## Customs Duty

- Customs duty is exempted on import of equipment required for the establishment of oxygen industry, import of medicine used in the treatment of COVID19.
- Customs duty is exempted on import, manufacturing and distribution of oxygen gas, liquid oxygen, oxygen cylinder, oxygen concentrator and other lifesaving equipment and medicine.
- Reduction in applicable customs duty on import of electric vehicles, electronic equipment like refrigerator, grinder, rice cooker, fan, induction etc.

## Excise Duty

- Waiver of excise duty on import of electric vehicles and electronic equipment like refrigerator, grinder, rice cooker, fan etc. Reduction of excise duty in case of hybrid vehicles.
- Exemption on excise duty on internal production of various products.
- Exemption of applicable excise duty on import, manufacture and distribution of oxygen gas, liquid oxygen, oxygen cylinder, oxygen concentrator and other lifesaving equipment and medicine.
- Increase in excise duty on alcohol, beer, wine, cigarette, tobacco product and soft drinks.

For Finance Bill [click here](#). For budget highlights prepared by the PKF Nepal [click here](#).

## Notices issued by Nepal Rastra Bank

### Amendment in unified Circulars 01/2076

In order to bring ease in mitigating the health related issues that have arisen due to COVID-19, NRB through its notice dated 30 Baisakh 2078 has increased the ceiling of payment that importers can make through Draft/TT on import of medical supplies and medical equipment to US\$100,000 from US\$35,000. Furthermore, NRB has also removed the requirement of Business Credibility Information (BCI), Draft/TT limit and recommendation of Department of Health Services on import of oxygen cylinders, oxygen concentrators, oxygen tanks, oxygen generators, oxygen manufacturing plants, oxygen delivery accessories as well as ventilators in excess of US\$25,000 till Ashad end 2078. For notice [click here](#).

### Notice related to operation of Banks and Financial Institution during lockdown

NRB's notice on 2078/02/10 instructed class "A", "B" and "C" BFIs to open limited branches alternately in three districts of Kathmandu valley during the lockdown. Further, the notice requires the BFIs to publish details of contact person in order to provide alternate banking services during these times. For notice [click here](#).

### Amendment in unified Circulars 18/2076

Considering impact of COVID-19, NRB through its notice dated 2078/02/04 has provided relief to bodies licensed to undertake foreign currency transactions by extending due dates of renewal of license up to 30 days from the date of lifting of lockdown.

Till then such licensed bodies shall be permitted to continue with foreign currency transactions even on expiry of the license. For notice [click here](#).

## Amendment in Unified Directives, 2077

NRB on 2078/02/11 issued a circular to class "A", "B" & "C" BFIs. relating to margin lending loans to be 70% of share price (lower of average value of the last 180 days published by the stock exchange or current prevailing price of the stock). Previously average value of the last 120 days published by the stock exchange had to be considered while calculating value of shares. Similarly, new provision of extending loans at base rate for the establishment of liquid oxygen plant or oxygen plant by hospital and other health service providers has been made.

In case of change in commercial operation date of approved hydropower projects, requirement of approval of NRB for capitalization of interest shall not be required.

Similarly, BFIs from now onwards are prohibited to invest in shares and bonds of public companies for less than 1 year. "A", "B" and "C" BFIs are further restricted to invest in microfinance companies and shares held in such institutions are required to be disposed of within Poush end 2078. BFIs are further instructed not to collect any penalty or other fees on loans up to 7 days of official lifting of lockdown and not to publish any notice of auction or recovery of loan up to 1 month of official lifting of lockdown.

For circular related to class "A", "B" and "C" licensed institutions [click here](#).

## IRD's notice

Inland Revenue Department (IRD) has issued notice to all taxpayers to be benefited from tax amnesty provided by the various sections of Financial Ordinance 2078 which shall be effective from 15 Jestha 2078.

Details of exemptions and concession provided by finance ordinance can be visited in official website for Inland Revenue Department. For notice [click here](#) and for PKF Nepal's summary of the amnesty offered [click here](#).

## Notice relating to Social Security Fund

### SSF contributions for Jestha & Ashad 2078 to be deposited by GoN

The GoN, through the budget has announced that it will deposit the Social Security Fund (SSF) contributions for the months of Jestha 2078 and Ashad 2078 on behalf of registered and regularly contributing employers and employees.

### Notice issued by Beema Samiti

Considering extended lockdown declared by the GoN, Beema Samiti has instructed all insurance companies to make arrangements of operating insurance companies with maximum of 10 employee adopting all public health and safety measures. Also, insurers shall make arrangements for renewal of expired policies on receipt of applications from the insured electronically and no additional charge shall be collected till 15 days of lifting of lockdown. For claims made during the pandemic period under life insurance, the insurer shall arrange to make payment electronically and in case of other insurance they shall collect sufficient evidence electronically and make settlement of the same as soon as the situation returns to normal. For notice [click here](#).

## Notice issued by Public Procurement Monitoring Office

### EPC Directive on Procurement, 2078

The GoN has barred the extending of timeline for the big projects to be constructed in the engineering, procurement and construction (EPC) model by issuing EPC Directive on Procurement, 2078. Enforcing the Directive on Procurement through EPC-2021, the Public Procurement Monitoring Office (PPMO) has mentioned that big projects cannot extend their deadlines except in case of natural disasters like earthquake, fire, flood and landslide, among others. Similarly other provisions relating to payment, compensation, variation warranty etc. has been addressed by EPC Directive on Procurement 2078.

PPMO has further informed through its notice dated 31 Baisakh 2078 to implement the issued directive to all its stakeholders. For Directive [click here](#) for notice [click here](#)

### Department of Customs

Considering the second wave of COVID-19 and lockdown imposed by GoN, Department of Customs has issued a notice on 2078/01/16 notifying its online services during this hardship. The Department has informed that services of policy and tariff department, custom valuation department, client facilitation department etc., can be received electronically however, services related to cancellation of EXIM code, alteration of bank guarantee relating to EXIM code, inventory registration for procurement, construction and consultancy services & other services which can be done only on physical presence will not be provided through electronic means. For notice [click here](#)

## SEBON

### Instruction regarding settlement fund

Securities Board of Nepal (SEBON) has instructed NEPSE to establish and operate a separate settlement fund of Rs 500 million within 2078/79, as required by section 27 of Securities Listing and Trading Rules, 2075, for the timely settlement of security transactions and minimize systemic risk. The funds should be established with the contributions of 50%, 30% and 20% from securities market, exchange service providers and securities brokers, respectively. SEBON has further instructed to increase the fund by Rs 300 million and Rs 200 million in the FY 2079/80 & 2080/81, respectively to make total fund of Rs 1 billion. For notice [click here](#).

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