

PKF Nepal Newsletter – August 2019



PKF Nepal updates

PKF Nepal monthly breakfast meeting

The partners, directors, managers and senior audit team members of PKF TR Upadhy & Co. met for its monthly breakfast meeting on 28 July 2019 to discuss on the key point of first amendment in Social Security Scheme Operating Procedures 2075, Timesheet software, VCTS Implementation, additional income tax return annexure and important changes in monetary policy.

Partners, managers and supervisors participated in the meeting chaired by Shashi Satyal, Partner. Major discussions in the meeting were as follows:

- Discussion on recent changes in operating procedures of Social Security Schemes, 2075 (first amendment) facilitated by Gaurav Pahari.
- Demonstration on use of new timesheet software by Madhu Mishra for filling up the time and applying for leave etc.
- Bhim Chand gave a presentation on the additional income tax annexures and form to be filed applicable from 1 Shrawan 2076. He also presented updates and procedural video on VCTS (Vehicle & Consignment Tracking System). Importance and advantages of application of new electronic system and its challenges were discussed.
- Major changes and impacts of new monetary policy were discussed by the team.



Participants on breakfast meeting held on 28 July 2019

PKF Nepal's publications in the last month

- PKF International published its **Doing Business in Nepal** - a brief overview of the economic and regulatory landscape of Nepal, looking at the government, legal system and types of business structure, along with nuggets of information on some of the pearls of the area such as the World Heritage temples and spectacular Buddhist stupas found amongst the rambling streets of Kathmandu, Bhaktapur and Patan. [Please click here.](#)
- **The Nepal Taxation 2019**, a comprehensive document on compilation of the direct taxes encompassing - corporate, personal, investment tax and indirect taxation - value added taxes, excise duty and customs duty. [Please click here.](#)
- **Monetary Policy 2019-20** highlights covering the key aspects and direction to achieve the economic growth targets of the GON for the year 2019-20. [Please click here.](#)

New joining/resigned team members

PKF Nepal welcomes new team members viz. Babita Bhatta, Monalisa Rai, Anjila Shrestha, Ramesh Prasad Sah, Krishna Adhikari, Sandip Sapkota, and Sushil K.C on board and bids farewell and extends its best wishes to Isha Sharma for her future endeavors.

Congratulations to our newly married couple

PKF Nepal extends its best wishes to TRUIan couple Manoj Thapaliya and Sneha Bhattarai and to Subhokcha Ghimire on their weddings for a happily married life.



Recent updates

Monetary Policy 2076-77

NRB issued monetary policy for fiscal year 2076-77 on Shrawan 8, 2019. To access monetary policy 2076-77 published by NRB, [please click here.](#)

Notice regarding changes in section 96 of Income Tax act by Inland Revenue Department

IRD has published a notice regarding changes in annexure and forms u/s 77 of Income Tax Act for submission with the annual tax returns of u/s 96 of ITA. This change are effective from Shrawan 1, 2076. [To access details please click here](#)

Amendment in Social Security Scheme Operating Procedure 2075

SSF has extended the deadline for registration to end of Ashwin 2076 from end of Ashad 2076. Similarly, Social security scheme operating procedure 2075 has been released with first amendment on Ashad 29, 2076 addressing confusions regarding implementation of SSF. Major highlights of amendment are as follows:

- Any employee who is engaged in new employment after Shrawan 1, 2076 shall compulsorily register in SSF. Employee existing before Shrawan 1, 2076 contributing to CIT and PF and employee above 60 years can also participate in scheme by making an application voluntarily.

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- Employee contributing for at least for 3 months on social security fund can receive facilities under section 3 of social security act, previously 6 month contribution was required. [To access details please click here](#)

8th Amendments in Public Procurement Rules

The Public Procurement Rules has been amended, the third time within a month on Shrawan 16, 2076. Key points of 8th amendments are:

- For construction works with estimated cost ranging from NPR 20 million to NPR 1 billion (Except for cases mentioned in Section 15), national bidders shall be invited to bid through a National Level Bidding. Previously, in the 6th amendment, range was set from NPR 20 million to NPR 2 billion.
- While evaluating the tender documents by the Evaluation Committee u/s 25 of the Act, the financial and technical capacity of the borrower being utilized in another public entity shall not be counted for additional work. This provision introduced in the 6th amendment, removed by the 7th amendment and was later re-introduced in the 8th amendment.
- Bidders can bid only up to 7 times of average turnover of 3 financial years out of last 10 financial years. Previously, bidders were allowed to bid only up to 4 times of average turnover of last 5 years.
- Rule 120(6): Where a bidder opts for extension of time as per provisions of rule 120(1ka), based on the technical reports and analysis of balance work to be completed, the Gazette Officer of respective ministry can extend the time up to 1 year without adding any financial burden to the project.
- If the work is not completed within the extended time, all guarantees and deposits provided by such person shall be forfeited, any losses caused by non-completion shall be recovered and such person shall be blacklisted and additional actions shall be taken as per the prevailing law. [Please click here for more details](#)

Amendment in NRB Directives

NRB has issued a circular to class A, B and BFIs amending various provision of Unified Directives, 2075 and various circulars issued by NRB. These amendments have introduced revised provisions regarding minimum loan disbursement, monitoring and service charges to be levied for various services of banks. Some of the key points were:

- Extension of deadline to deposit the interest and principal amount of loans. Earlier, the deadline was within 15 days of the end of the FY. It has now been increased time up to 1 month of the end of the FY.
- Similarly, the percentage of loan to be directed towards prioritized sectors has been amended. Commercial banks are required to have 10% of total loans for agricultural purposes and 15% for energy and tourism purposes.

Change in revenue code

IRD has changed revenue code effective from Shrawan 1, 2076 as follows:

Particulars	Old	New
Value Added Duty		
VAT- Manufacturing business	33111	33311
VAT- Sales and Distribution of goods	33113	33313
VAT- Consultancy and Contract	33114	33314
VAT- Tourism Service	33115	33315
VAT- Telecommunication, Insurance, Aviation and other services	33116	33316
VAT- Collected from Unregistered Person	33117	33317
Excise Duty		
Tobacco products	33131	33331
Alcohol	33132	33332
Beer	33133	33333
Other industrial production	33134	33334

[Please click here for notice from IRD.](#)

Notice regarding NAS for MEs and NAS for NPOs

On Shrawan 1, 2076, ICAN through its 236th Council Meeting have pronounced Nepal Accounting Standards for Micro Entities, 2018 and Nepal Accounting Standards for Not for Profit Organizations, 2018 under the recommendation of Accounting Standards Board (ASB) with voluntary compliance from Shrawan 1, 2076 and mandatory compliance from Shrawan 1, 2077 respectively. [Please click here for more details.](#)

Department capped lending rate for Cooperatives

Department of Cooperatives issued press release restraining lending rate at 16% and deposit rate at 6% for cooperatives effective from Shrawan 19, 2076. That is, cooperatives need to maintain 6% of Spread rate now onwards. [Please click more details click here.](#)

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This Newsletter is published every month in digital form to communicate with the team members, clients and stakeholders on events and activities within the firm and also to provide updates on the laws and regulations that matters to the business.

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