

PKF Nepal Updates

Appointment to the Standards Implementation Review Committee of ICAN

We are pleased to announce that our esteemed partner, CA Nikita Agrawal, has been appointed as a member of the Standards Implementation Review Committee of the Institute of Chartered Accountants of Nepal (ICAN) for the fiscal year 2081/82.

Book Launch of Founder

We are honored to announce that “Aroha Abaroha”, the memoir of Late Mr Tirth Raj Upadhyay, the Founder of the Firm was launched on 16 August 2024 in a simple ceremony attended by family and friends. Our Managing Partner attended the event.



Launching of Memoir

New staff welcomed to PKF Nepal

PKF Nepal welcomes Sajan Karkee, Alisha Agrawal, Basanta Shahi, Avhilekh Upreti, Kriti Bhattarai, Rakshya Nagarkoti, Radhasi Panday, Anusha Khanal, and Samiksha Paudel to the PKF family.

Staff leaving PKF Nepal

PKF Nepal bids farewell to its team members, namely Bharat Rawat and Nirmal Rout. PKF Nepal expresses appreciation for their invaluable contributions to the firm.

Birthdays

PKF Nepal extends warm birthday wishes to its team members: Bipin Mangal Joshi, Achutam Dhungel, Sunil Timalsina, Prashant Giri, Bipin Sapkota, Prajwol Rimal, Aakriti Pokharel and Tek Narayan Yadav whose birthdays fell in August.



Celebration of birthdays at PKF Premises

Updates

Notices issued by NRB

Amendments in Unified Directives, 2080 for "A," "B," and "C" class BFIs

NRB has added/amended the following provisions to the Unified Directives, 2080:

Circular 1 Section 1: Commercial banks are required to maintain a Countercyclical buffer in accordance with the Capital Adequacy Framework, 2015. Effective from the fiscal year 2081/82, the buffer rate has been set at 0%, reflecting a reduction from the previous fiscal year's rate of 0.5%.

Capital Adequacy Framework (CAF) 2015, Clause 2.1(II) (VIII) and CAF 2007, Clause 2.3(g): Accrued interest receivable on 'Pass' loans and interest capitalized reserve should be included in the regulatory reserve unless stated otherwise.

Circular 17 Section 15(1) (ga): It has been made mandatory to allocate 15% of the total loan portfolio to micro, cottage, small, and medium enterprise sectors by the end of Ashadh 2084. This includes loans of less than NPR 2 crores and loans directly disbursed to the underprivileged sector. For notice, [click here](#).

Amendments in Unified Directives, 2079 for "D" Class BFIs

NRB has amended the unified directives, 2079, for "D class" licensed micro finance institutions (MFIs):

Circular 11/2079 Section 2(kha): If a blacklisted borrower fully repays their outstanding loan and interest, or if they undergo loan recategorization or restructuring as directed by the bank, the concerned institution must recommend their removal from the blacklist to the Credit Information Center. For full notice, [click here](#).

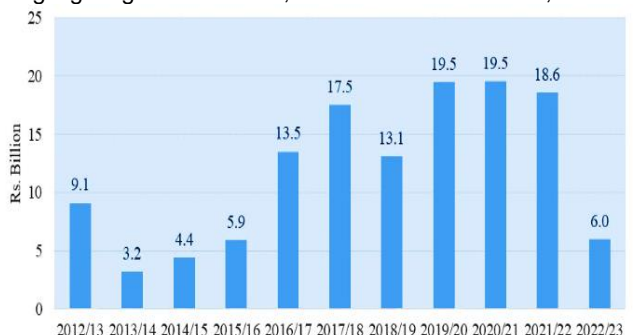
Amendments in Unified Directives, 2080 for Infrastructure Development Bank

NRB has amended the following unified directives, 2079 for Infrastructure Development Banks:

Capital Adequacy Framework 2018, Clause 1(1.8): Banks are now required to maintain a countercyclical buffer of 0%, effective from 2081 Shrawan, down from the previous rate of 0.5%. For notice, [click here](#).

Foreign Direct Investment (FDI) Survey Report, 2022/23

NRB has published its FDI Survey 2022/23 report, highlighting FDI trends, sectoral distributions, and



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country-specific stocks, aiding policymakers in evaluating the current landscape and guiding policy reforms. For the full report, [click here](#).

Government of Nepal, Ministry of Finance

Fiscal Policy Statement FY 2024-25

The Fiscal Policy Statement for FY 2024/25 outlines Nepal's key strategies for managing public expenditure and revenue. Its goals include achieving a 6% economic growth rate, reducing poverty, and maintaining consumer price inflation below 5.5%. The policy emphasizes fiscal discipline, efficient resource allocation, and fiscal sustainability.

It aims to enhance the living standards of marginalized groups through inclusive growth, a structured public expenditure framework, and a supportive environment for private investment. The statement aligns with the Sixteenth Periodic Plan, the Appropriation Bill, and the Medium-Term Expenditure Framework. For budget, [click here](#).

Notices issued by IRD

Luxury Tax Procedures, 2081

In a bid to streamline administration and enhance tax efficiency, the Inland Revenue Department (IRD) has introduced procedures bylaw in accordance with Sub-section (9) of Section 17 of the Finance Act, 2081. This procedure mandates the imposition of a luxury tax on the following categories:

1. Five-star and above hotels and luxury resorts: A tax of 2% on the value before VAT must be collected for the services provided.
2. Imported alcoholic beverages: A tax of 2% on the value before VAT must be collected by the customs office at the point of importation.
3. Gold jewelry, diamonds, pearls, and jewelry embedded with precious stones: Sellers must collect a tax of 2% on the sales value for items exceeding ten lakh rupees.

For the procedure, [click here](#).

Foreign Tourism Fee Procedures, 2081

In line with Section 20 of the Finance Act, 2051, and pursuant to the authority granted under Sub-section (7) of Section 20 of the Finance Act, 2081, IRD has introduced the procedure to streamline and improve the administration of foreign tourism fees for Nepali tourists traveling abroad. The foreign tourism fee will be applied as follows:

1. Tourism Package Sellers: A fee of 5% on the amount paid by Nepali tourists for foreign travel packages must be collected at the time of sale.

Clarification: "Foreign travel package" includes transportation, accommodation, food, sightseeing, and entertainment.

2. Firms or Companies: A fee of 5% must be collected on the traveling expenses incurred for natural persons on foreign travel for the purpose of business promotion.

For the procedure, [click here](#).

Digital Service Tax Procedures, 2081

In accordance with Section 16 of the Financial Act, 2081, and Sub-section (5) of Section 16, the Inland Revenue Department has established this procedure to streamline the administration of the Digital Service Tax for electronic services provided to Nepali consumers by non-residents.

Basis and Rates for the Digital Service Tax:

1. Tax Rate: A 2% tax is applied to the transaction value of electronic services provided to Nepali consumers, excluding indirect taxes.
2. Exemption: Digital Service Transactions up to Rs 30 lakhs annually are exempt. For amounts exceeding this threshold, tax applies to the full transaction value.
3. Tax Collection: Being a direct tax, this tax cannot be added to the service price.
4. Income Tax: Income from this tax is exempt from income tax under the Income Tax Act, 2058, but income from services to entities other than consumers is taxable under the same Act.

For the procedure, [click here](#).

VAT Procedures for Non-Resident Digital Service Providers, 2079

The IRD has issued VAT Procedures for Non-Resident Digital Service Providers under the authority given by Section 19 of the VAT Act, 2052 outlining the administrative requirements and the steps for registration and filing of VAT returns.

For full notice, [click here](#).

VAT Procedures for Non-Resident Offline Air Transport Services, 2081

To streamline the administration of VAT on offline air transport services provided by non-residents, IRD has issued procedures under the authority given by Sections 18 and 19 of the Value Added Tax Act, 2052.

The basis and rates for VAT are as follows:

1. Non-residents providing offline air transport services must collect and deposit VAT amount.
2. Non-residents whose transactions exceed thirty lakh rupees in the last twelve months must register for VAT and collect the same.
3. The applicable VAT rate will be 13% pursuant to Section 7 of the Act.

For the procedure, [click here](#).

Notices issued by SEBON

Qualified Institutional Investors

The SEBON has published the "List of Qualified Institutional Investors."

This list includes institutions that have been approved as Qualified Institutional Investors, meeting regulatory criteria to engage in specific financial activities.

For notice, [click here](#).

Notices issued by ICAN

Carve-Out for NFRS for SMEs and NAS for NPOs Implementation

The Nepal Financial Reporting Standards for Small and Medium-sized Entities (NFRS for SMEs) 2017 and Nepal Accounting Standards for Not-for-Profit Organizations (NAS for NPOs) 2018, approved on 28th Ashadh 2078, are mandatory from FY 2080/81.

To facilitate implementation, the Council has granted carve-outs/alternative treatments from Sections 25.2 and 25.3 of NFRS for SMEs 2017, and Sections 6 and 15.2 of NAS for NPOs 2018.

For notice, [click here](#).

Revised Implementation Date for NFRS 17

In its 256th meeting held on 17th Ashadh 2078; the Council initially mandated the implementation of NFRS 17: Insurance Contracts from FY 2080/81.

However, following deferral requests and consultations with stakeholders, including the Insurance Authority and insurance companies, the Council has revised the implementation timeline. NFRS 17 will now be enforced from 16th July 2025 (1st Shrawan 2082).

For notice, [click here](#).

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PKF T R Upadhy & Co.

124 Lal Colony Marg,

Lal Durbar, Kathmandu, Nepal.

+977 1 4510927 | 4520026

www.pkf.trunco.com.np