

PKF Nepal Updates

New staff welcomed to PKF Nepal

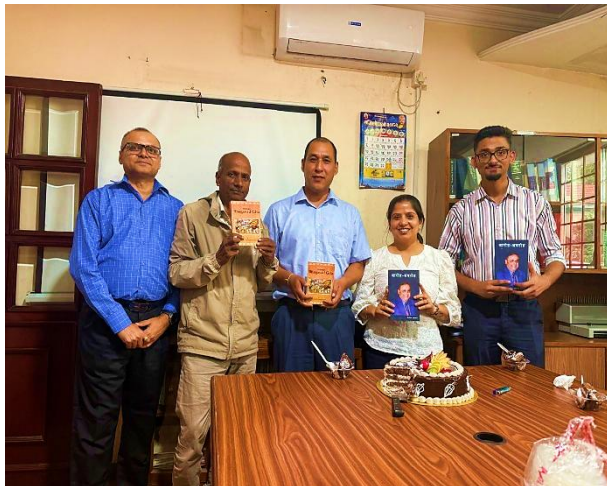
We are excited to welcome Pooja Ghimire Chhetri, Jhalak Upadhyay, Anish Upadhaya, Ram Prasad Bhatta, Binita Khadka, Subash Khatri, Bhuwan Ghimire, Anjali Karki, Naresh Bohara, Shreya Gyawali, Sadikshya Khadka, Asmita KC to the PKF Nepal team.

Staff leaving PKF Nepal

PKF Nepal bids farewell to Aakriti Shrestha as she embarks on new career opportunities. PKF Nepal extends heartfelt appreciation for the invaluable contributions to the firm and wishes her continued success in her future endeavors.

Birthdays

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



Celebration of birthdays at PKF Premises

Updates

Notices issued by MoF

First Amendment to Payment and Settlement Act

The Ministry of Finance (MoF) has prepared a draft of the Payment and Settlement (First Amendment) Act, 2082 with the objective of revising and modernizing the existing Payment and Settlement Act, 2075. The proposed amendment seeks to strengthen the overall payment ecosystem by improving legal and institutional frameworks, enhancing the efficiency, reliability, and security of financial transactions.

To make the amendment inclusive and effective, the Ministry has invited stakeholders—including financial institutions, payment service providers, businesses, and the public—to provide comments and suggestions through the Financial Sector Management and Institution Coordination Division.

For notice and draft, [click here](#).

Notices issued by NRB

Amendment to FXMD Directives, 2081

Nepal Rastra Bank (NRB) has added/amended the following provisions to the Unified Directives, 2081:

Directive no. 4/081, Section 2 gha: As per Clause (a), industries engaged in the gold and silver business may be granted foreign exchange facility up to USD 500,000 (or its equivalent in other convertible foreign currency) per transaction for the import of silver as industrial raw material for their own use in manufacturing jewellery, artistic items, utensils, etc.

Previously, the limit for exchange facility was up to USD 300,000 (or its equivalent in other convertible foreign currency). All other remaining provisions remain unchanged.

For notice, [click here](#).

Amendments in Unified Directives, 2081 for "A", "B", and "C" class BFIs

NRB has added/amended the following provisions to the Unified Directives, 2081:

Directive No. 21/081, Section 5/Annexure 21.1: NRB has revised and implemented the Long Form Audit Report (LFAR) format for external audits effective from FY 2081/82 onwards. As per the directive, auditors are required to prepare the LFAR in the prescribed format, and submit the report directly to NRB.

The revised LFAR expands coverage of risk management to include credit, market and liquidity, and operational risks, with explicit focus on IT and cybersecurity. Internal control reporting now covers the compliance function, follow-up on deficiencies from prior audits and NRB inspections, and controls over digital banking and IT risks. In addition, reporting on deprived and specified sector lending must address compliance with regulatory requirements, note any exceptions, and include half-yearly monitoring of utilization.

For Circular, [click here](#).

Directive no. 2/081 Section 30: Licensed BFIs may assess collateral such as agricultural produce, cultivable land, or agricultural business structures and disburse agricultural or business loans up to NPR 1 million for food crops, livestock, fishery, and related activities. The following provisions shall apply to such loans:

- **Collateral Valuation:** May be conducted by BFI staff or external valuers, with no valuation fee charged to the borrower.
- **Repayment Schedule:** Must align with production cycles and harvest/sales timelines (e.g., vegetable farming loans repaid at four-month intervals).
- **Grace Period:** Adequate grace periods must be provided based on the borrower's cash flow.
- **Loan Loss Provision:** For loans with grace periods, maintain 0.25% in the first year and 0.5% in the second year for performing loans.
- **Monitoring:** Loans assessed internally by BFIs must

be prioritized and regularly monitored through internal audit.

- **Governance:** Product papers and collateral valuation procedures must receive Board approval before implementation.

Directive no. 2/081 Section 39(10): For productive industries with investments up to NPR 30 million located along the Postal Highway and Mid-Hill Highway, as well as hotels and restaurants that have obtained a Green Sticker for food hygiene classification under the "Classification of Hotel and Restaurant Based on Food Hygiene Directives, 2074" issued by the Department of Food Technology and Quality Control, the lending interest rate shall not exceed the base rate plus 2 percent.

For Circular, [click here](#).

Amendments in Unified Directives, 2081 for "D" class BFIs

NRB has added/amended the following provisions to the Unified Directives, 2081:

Directive no. 1/081 Section 13: NRB has revised provisions on dividend distribution for licensed Microfinance Financial Institutions (MFIs). Dividend payouts must now comply with ceilings determined by the post-dividend capital fund ratio and the non-performing loan (NPL) ratio as of mid-Ashar, with the maximum dividend ranging from 5% to 25%.

Cash dividends may only be declared if the capital fund ratio is at least 9%, while institutions with an NPL ratio above 15% are barred from distributing dividends. NRB may also approve dividends below the specified ceilings, subject to additional considerations.

Previously, when dividend distribution exceeded 15% per year, 50% of the proposed dividend above that threshold had to be transferred to the General Reserve Fund.

For circular, [click here](#).

Notice issued by ICAN

Nepal Standards on Auditing for Less Complex Entities

The Nepal Auditing Standards Board, drawing from the International Standards on Auditing for Audits of Financial Statements of Less Complex Entities (ISA for LCE) issued by IAASB, developed the Nepal Standards on Auditing for Less Complex Entities (NSA for LCE) and recommended it to The Institute of Chartered Accountants of Nepal (ICAN).

ICAN's 336th Council Meeting 8.7.2081, under Section 11(d) of the Nepal Chartered Accountants Act, 2053, has made the NSA for LCE mandatory for audits of financial statements from FYs beginning 1.4.2083, with voluntary application permitted for earlier years.

For notice, [click here](#).

For NSA for LCE, [click here](#).

Definition of Micro Entities under NFRS for SMEs and NAS for MEs

The Institute of Chartered Accountants of Nepal (ICAN) at its 354th Council Meeting dt. 2.5.2082, updated the definition of Micro Entities by revising Clause C of the Introduction to NAS for MEs, 2018 and Section 1.11 of NFRS for SMEs, 2017.

Criteria	NAS for MEs (NPR Million)	NFRS for SMEs (NPR Million)
Annual Turnover (Revenue)	200	100
Borrowings from banks / FIs / public funds / fiduciary assets	100	50
Statement of Financial Position (Balance Sheet) Total	200	100
Holding assets in fiduciary capacity	100	50

The NFRS for SMEs 2017 and the NAS for MEs 2018, issued by ICAN, have been mandatory from FY 2081/82.

For notice, [click here](#).

Notice issued by SEBON

Notice Regarding Pre IPO Sales

SEBON has cautioned investors against unauthorized activities of raising funds in the name of Pre – IPO through social media, email, and SMS. The Board clarified that there is no provision for Pre – IPO under prevailing laws, and as per Section 29(1) of the Securities Act, 2063, any sale or distribution of securities to more than 50 persons requires a public offering with SEBON's approval. Such activities are illegal and punishable. Investors are advised not to participate in such schemes.

For notice, [click here](#).

Global Highlights

Economy

In August–September 2025, India unveiled sweeping GST reforms—simplifying its multi-tier tax structure into two main slabs (5% and 18%), introducing a 40% levy on luxury and "sin" goods, exempting health insurance and everyday essentials, easing EV battery taxation, and rolling out process reforms like prefilled returns and auto refunds. Globally, these changes aim to stimulate consumption, boost manufacturing competitiveness amid external tariff pressures, and streamline tax compliance. For Nepal, the lower GST on Indian goods may narrow its export competitiveness, but simultaneously, the steep U.S. tariffs on India (versus Nepal's far lower duties) have prompted Indian apparel firms—and investors from South Asia—to explore shifting production to Nepal, potentially catalyzing new industrial investments and export capacity.

Energy

In the first half of 2025, global solar installations surged by 64%, with the world adding 380 GW of new capacity compared to the same period last year. This record-breaking expansion marks a turning point in renewable energy adoption, driving down costs and accelerating the global shift away from fossil fuels. For Nepal, this trend is particularly beneficial: as global solar production scales up and prices fall, it creates opportunities to expand solar access in remote areas, reduce dependence on imported fossil fuels, and strengthen overall energy security.

Foreign Aid and Trade Relations

In August 2025, the World Bank approved \$300 million for Türkiye to support sustainable urban resilience and \$100 million for Paraguay to strengthen public-sector management and fiscal sustainability. Globally, these approvals highlight the Bank's dual focus on climate adaptation and governance reforms in developing and middle-income economies. For Nepal, which faces severe climate risks and governance challenges, these initiatives set a strong precedent—offering pathways to secure concessional financing for urban resilience, disaster preparedness, and institutional strengthening.

Environment and Climate Updates

On August 22, the WHO and WMO jointly issued Heat-Health Action guidance to help countries manage extreme heat, with a focus on early warning systems and health responses. Globally, this sets a critical standard to reduce the deadliest impacts of climate change as heatwaves intensify. For Nepal, the guidance is particularly relevant to the densely populated and heat-vulnerable Terai region, providing a blueprint for developing national heat-action plans to safeguard public health.

Health and Safety

In August 2025, Nepal achieved two significant milestones in health technology—introducing its first surgical robot, the SSI Mantra system, at B&B Hospital in Lalitpur, and creating an AI model with 95% accuracy for healthcare waste classification. Together, these innovations mark a decisive move toward advanced healthcare standards, strengthening surgical precision, lowering reliance on overseas treatment, and improving medical waste safety to protect both health workers and communities.

Compiled and contributed by Bipin Aryal, Audit Executive in the firm.

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