PKF TRU Newsletter – March 2026

PKF Nepal Updates

New staff welcomed to PKF Nepal

We are excited to welcome Swastika Jha, Prince Neupane, Bibin K.C., Saugat Shrestha, Selina Karmacharya, Binu Lohani, Shruti Adhikari, Sumina Rai, Gaurav Bista, Shreejal Prasai, Utsav Diyali, and Selina Shahi to the PKF Nepal team.

Staff leaving PKF Nepal

PKF Nepal bids farewell to team members: Samundra Paudel, Dewamsh Basyal, Poshan Bhandari, Akash Kumar Rauniyar, and Abhishek Jha as they embark on new career opportunities. We extend our gratitude to our departing colleagues for their valuable contributions throughout their tenure at PKF Nepal and wish them all the best in their future endeavors.

Life Events & Achievements

We extend our heartfelt congratulations to our members Gambhir Bidari, Manoj Khanal, Sabin Dhakal, and Saurabh Bhusan Shrestha on successfully passing the ICAN CA Final Examination. This achievement reflects their dedication and perseverance, and we wish them continued success in their professional journey.

Birthdays

PKF Nepal extends warm birthday wishes to its Partner, Ms. Sumitra Rijal, and its team members, Swikar Khatiwada, Rabindra Oli, Basanta Shahi, Pooja Chhetri, and Binda Kunwar, whose birthdays fell in February.

Celebration of birthdays at PKF Premises

PKF Nepal's Festive Celebration: Holi

Our team marked the festive spirit of Holi with a small celebration at the office premises. The occasion brought everyone together in a cheerful atmosphere, where colleagues shared colors, laughter, and festive greetings.

Celebration of Holi at PKF Nepal

Updates

Notices issued by NRB

Monetary Policy 2082-83 Midterm Review

Nepal Rastra Bank has officially released the Midterm Review of the Monetary Policy for the fiscal year 2082-83. This review is a critical regulatory document that assesses the prevailing economic conditions and adjusts the central bank's policy instruments to ensure financial stability.

The review evaluates the progress of the targets set at the beginning of the fiscal year and introduces necessary amendments to the monetary and credit policies. It serves as a guiding framework for banks and financial institutions (BFIs) regarding interest rate corridors, liquidity management, and credit flow to various sectors of the economy. For notice, click here

Current Macro-Economic and Financial Situation (First Six Months)

The Nepal Rastra Bank issued a comprehensive report on the macroeconomic and financial situation of the country, based on data for the first six months of the fiscal year 2025/26 (2082/83). This report provides the official statistical basis for evaluating the country's economic health, including inflation and external sector stability.

Key highlights from the report indicate that the year-on-year consumer price inflation stood at 2.42% in mid-January 2026, while remittance inflows grew by 39.1% to Rs. 1062.93 billion. Merchandise exports surged 43.8% to Rs. 142.02 billion and imports rose 14.2% to Rs. 939.02 billion, resulting in a total trade deficit of Rs. 797.00 billion. Total government expenditure stood at Rs. 690.22 billion against revenue mobilization of Rs. 577.40 billion, while the NEPSE index closed at 2641.44. Finally, commercial banks maintained a weighted average deposit rate of 3.56% and a lending rate of 7.12%. For circular, click here

Notice issued by IRD

Notice on Ownership Change of Preference Shares and Section 57

The Inland Revenue Department issued an important clarification on 27 February 2026 (15 Falgun 2082), regarding whether a change in the ownership of preference shares triggers the provisions of Section 57 of the Income Tax Act, 2058. This section addresses the tax implications of a change in control of an entity.

IRD's notice provides guidance on the treatment of preference shares in the context of calculating ownership percentages for the purposes of identifying a change in control. This is a vital compliance matter for corporate entities undergoing restructuring or capital changes involving preference shares, as it determines whether the entity's tax attributes, such as carried-forward losses, can be retained. For notice, click here

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General Elections 2026: A Landmark "Gen-Z" Political Shift

Nepal headed to the polls on 5 March 2026, for a general election triggered by the massive youth-led "Gen-Z" protests of September 2025. The parliamentary elections produced a historic political upheaval, with the Rastriya Swatantra Party (RSP) securing a landslide victory and a clear governing mandate. The party won around 125 of the 165 directly elected seats and also leads in the proportionate votes, while traditional powerhouses such as the Nepali Congress and CPN-UML were reduced to a handful of seats.

The results also saw the defeat of several long-dominant political leaders, marking a dramatic rejection of the old political establishment that had dominated Nepal's power structure for the past three decades.

The move from an interim government to a newly elected parliament is likely to shape the direction of Nepal's economic reforms. The RSP's win marks a major shift in the country's politics, as it moves away from traditional parties and embraces a youth-led, anti-establishment approach. This change might lead to greater political stability and progress, though the party must now find ways to turn high public hopes into actual results in governance.

Global Highlights – Implications for Nepal

Politics and Diplomacy

Rising Tensions in the Middle East Push Global Oil Prices Up

In February 2026, renewed tensions and military exchanges between regional powers in the Middle East raised concerns over the security of key global oil supply routes. The geopolitical uncertainty has contributed to fluctuations in global energy markets, with oil prices increasing amid fears of supply disruptions. Analysts have warned that prolonged instability in the region could affect global trade flows and increase volatility in commodity markets.

What It Means for Nepal:

As Nepal relies entirely on imported petroleum products, higher global oil prices may increase fuel import costs and put pressure on inflation and transportation expenses. Prolonged price increases could also impact government fuel pricing policies and the overall cost of living.

Economy and Commodity

IMF Staff-Level Agreement on Seventh ECF Review

On 20 February 2026, the IMF reached a staff-level agreement with Nepal for the final review of the Extended Credit Facility (ECF), paving the way for a $43.2 million disbursement. IMF emphasized that while external reserves are robust, "low private sector confidence" and "delayed investment decisions" have capped FY 2025/26 growth projections at 3% to 3.5%.

What it Means for Nepal:

The successful review signals international confidence in Nepal's macroeconomic stability, which is crucial for attracting foreign direct investment (FDI). However, the IMF's call for urgent amendments to the NRB Act and a focus on financial sector governance indicate that future multilateral support may be contingent on stricter legislative reforms.

Climate and Environment

Kathmandu Experiences Deteriorating Air Quality Levels

In late February and early March 2026, Kathmandu experienced a significant decline in air quality, with the Air Quality Index (AQI) frequently exceeding unhealthy levels. Seasonal factors such as dry weather, dust, vehicular emissions, and limited wind circulation contributed to the worsening pollution levels in the valley.

What It Means for Nepal:

Persistent air pollution may pose health risks for residents and increase public health concerns. Poor air quality may also affect tourism perception and outdoor economic activities, underscoring the need for stronger environmental and urban pollution management measures.

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Disclaimer

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